Cahners
NEWS
Multichannel International
OCTOBER 1999
THE WORLD'S SOURCE FOR TV AND TELECOM ANALYSIS

Europe's Big Bang

Programming Concepts Explode As a New Era Unfolds

ALSO INSIDE:

The Ever-Popular
U.S. Program-Alliances Chart

Spain's Media Octopus

Datacasting ***Gold Rush*** in Oz

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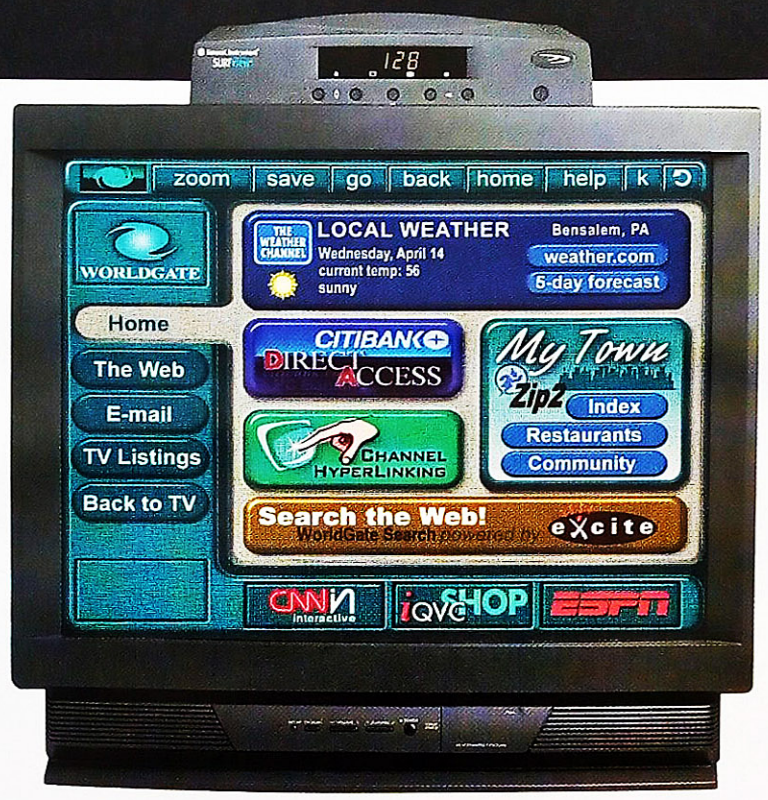

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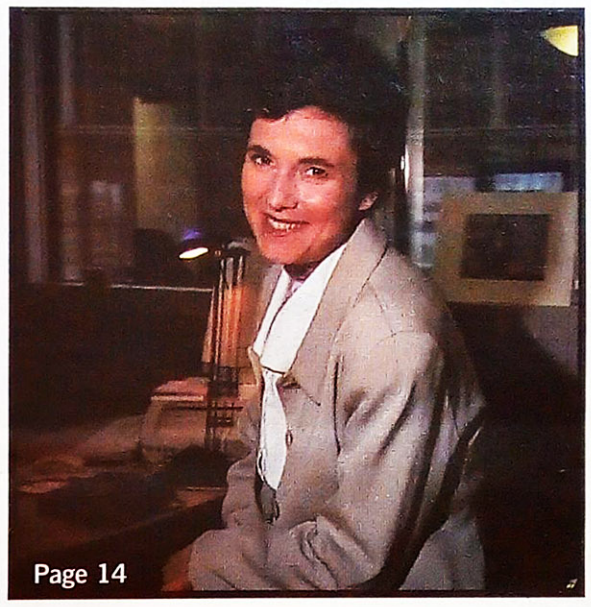

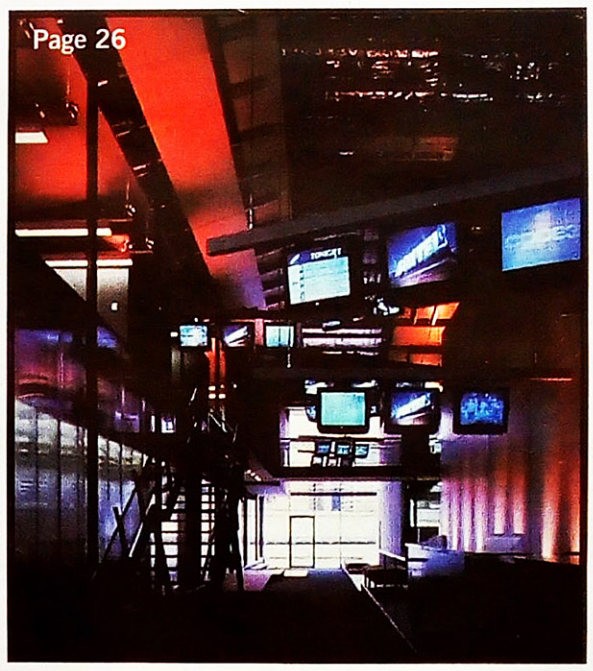

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WORLD **WATCH**

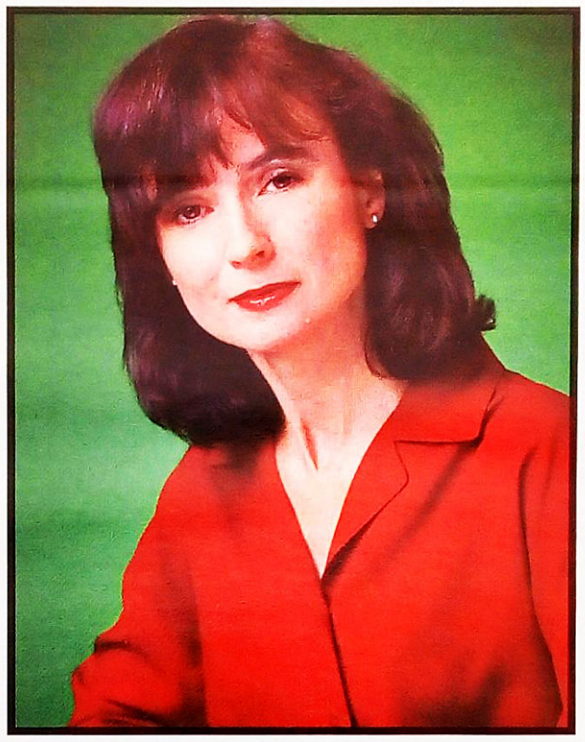
The Persuaders

BY JANET STILSON

Remember the huge chase scene in *Butch Cassidy and the Sundance Kid*, when Paul Newman and Robert Redford keep asking, "Who are those guys?" as they watch their pursuers relentlessly draw nearer and nearer? Well, there are a couple of companies that are starting to attract that kind of questioning. It's not their names that are unknown, but how they're going to affect the business.

The companies in question are none other than Replay Inc. and TiVO Inc. If you take a look at our U.S. program alliances chart attached to page 13, it will be hard to find a major U.S. player that hasn't made some investment or alliance tie to these two relatively nascent firms. Companies that have linked up with them include NBC Inc., Discovery Communications Inc., News Corp. and Sony Corp.

While the last two companies named certainly have roots outside the U.S., international allies with TiVO and Replay to date have largely been equipment manufacturers. But that situation is likely to change because of the huge implications of TiVO, Replay and a few others like them. They're offering digital video-recording devices that can be programmed automatically to record shows of particular interest to the user, so that in some respects, viewers can create their own TV channels. They also allow viewers to "pause" live TV shows they're watching and replay them. But more importantly for their backers, they also recommend certain shows that they expect you'll want to record, once you tell them your viewing preferences.



As digital channels emerge more fully, the ability to control which programs register in the minds of viewers through devices like TiVO and Replay could become crucial.

Replay actually went as far as to offer a feature that would skip over commercials. But that kicked up a fuss with the programmers, and not so surprisingly, it's apparently backed away from that idea. Tom Rogers, who until recently was president of NBC cable and business development, says NBC only chose to invest in Replay once that concept was dead in the water. (Rogers himself, in addition to NBC, has invested in TiVO.)

As the tidal wave of channels available via digital transmissions threatens to completely overwhelm traditional concepts of network promotion, the ability to control what programs register in the minds of viewers through devices such as Replay and TiVO could become absolutely crucial.

And there are also several possible variations of services that could emerge. What if, theorizes Piero Falci, a marketing director at General Instrument Corp., the skip-the-commercial feature reemerges in a new form? Maybe such a device could offer to record a given program free of commercials at a premium price — much in the way basic-tier and premium-tier networks are priced on pay TV systems. Needless to say, such a plan would need the blessing of its programmer backers.

TiVO's recent deal with Germany's Premiere World digital platform is one of the first to emerge beyond U.S. shores. But I'm betting that a whole lot of companies are going to invest in similar devices — if not TiVO and Replay themselves — as the war to grab eyeballs intensifies.

Janet Stilson

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BLIPS ON THE SCREEN

Romancing Romania

BUCHAREST

BY THERESA AGOVINO

Lots of people around the world enjoy watching American television shows. But Romanians really love them. The proof: A few years after the Berlin Wall collapsed, one entrepreneur created a national sensation by building a replica of the South Fork Ranch featured on the '80s hit *Dallas* outside the Romanian capital of Bucharest.

The saga of the Texas oil clan, along with other soaps featuring the travails of the super-rich, such as *Dynasty*, were wildly popular in Romania even as the population went without food and heat during the last years of the brutal dictatorship of Nicolae Ceausescu. Since he was executed on Christmas Day 1989, we'll never know why a leader who preached the evils of capitalism sanctioned the broadcasts of the shows.

The recent activity of cable programmers and operators in Romania is yet another apparent paradox. True, the country — with a population of 25 million — is Central Europe's largest market after Poland. But economic reform and prosperity in Romania have dramatically lagged behind those of its brethren. Inflation, unemployment and poverty plague the country. Yet cable penetration is 60 percent and rising.

Inflation, unemployment and poverty plague the country. Yet cable penetration is 60 percent and rising.

"People don't have money to go out to restaurants or buy new clothes or expensive appliances, but it is too difficult for them to give up cable television," says Pavel Stantchev, managing director of HBO Romania. "It is like a utility. Something they need. It is the only form of entertainment they can afford."

Romanians' thirst for affordable entertainment, combined with the evergreen hope the economy will improve and the partial privatization of the state phone company, has mobilized programmers and operators to broaden their enterprises in the country. Since the beginning of the year, United Pan-Europe Communications

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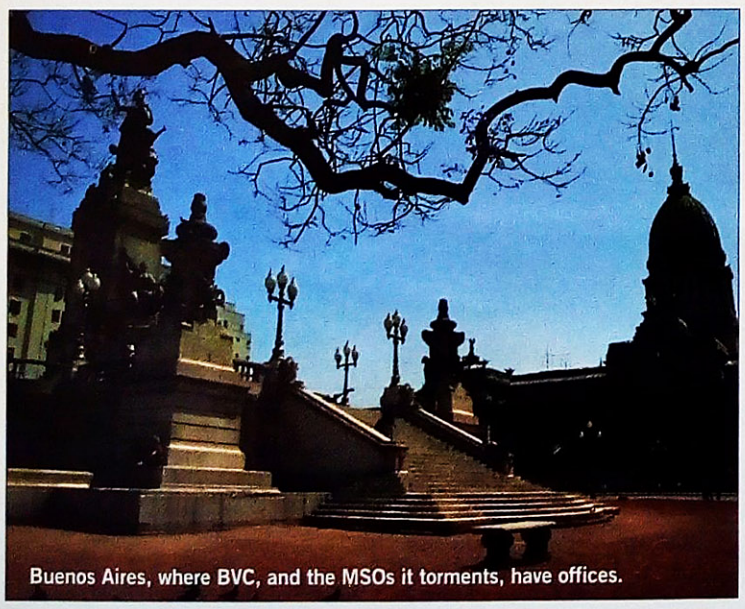
An Argentine 'Renegade'

BUENOS AIRES

BY JOSHUA GOODMAN

One of Argentina's veteran cable executives is also one of its newcomers. As a teenager back in the late 1970s, Mario Pizzolo Jr. helped his father pioneer one of the country's first provincial cable systems. Some 15 years later, the Pizzolos' cable holdings in some 20 cities were swallowed by two growing multiple system operators (MSOs), Multicanal and CableVisión, now giants of the local industry.



Buenos Aires, where BVC, and the MSOs it torments, have offices.

Undaunted by the fierce ownership consolidation that has gripped Argentine cable, Pizzolo, is back in business at the ripe old age of 34. He runs a company called Bahia Visión Color S.A. (BVC) in Bahia Blanca, a port and oil-refining city some 1,040 miles (650 kilometers) southwest of Buenos Aires. And by some accounts, the system is creating a headache for the Big Boys.

BVC is biting into Multicanal and CableVisión's profits by offering, as they do, a 70-channel lineup, but for a third less. The rivalry comes at a time when the two are under pressure from investors to demonstrate efficiencies.

BVC isn't the only fly in the ointment for the big MSOs. There are a growing number of Mom-and-Pop operators returning to the market. And they're flush with bundles of cash they received to get out of the business in the first place.

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Curaçao, site of this year's Tepal show

Tepal in Turnaround

PANAMA CITY

BY JO DALLAS

Tepal has probably weathered more storms in recent years than just about any other pay TV trade show in the world. Last month, Hurricane Floyd's destructive rampage up the east coast of the United States grounded a number of executives attempting to reach the annual Latin American conference, held on the island of Curaçao.

Last year, the show was the victim of bad timing: Tepal booked it for the week of Thanksgiving, one of the most important holidays in the U.S., and that was a major reason why its exhibit aisles were largely devoid of any life form. But the show also coincided with terrible flooding from Hurricane Mitch. That caused many Central American operators, who traditionally attended, to stay home and deal with the disaster.

But the misfortunes of Tepal — known more formally as the Organización de Asociaciones y Empresas de Televisión Pagada de Iberoamérica — don't end there. Earlier this year, tragedy struck when one of Tepal's leading lights, then-president, Anna Fifer, became gravely ill and fell into a coma. She has been undergoing intensive medical treatment in the U.S.

All of this has given Tepal a much different persona than it had a few years ago, when Latin American suppliers often raved about its ability to put together productive and enlightening conference sessions.

Tepal also had a reputation for swift, firm action in the past. Some three years ago, for example, it called on its cable operator members to boycott panregional cable channels that were advertising direct-to-home satellite TV. The call to arms was so effective that the offending advertisements were virtually forced off the air overnight.

All that may have changed, but Tepal does not appear cowered. Last month's show was one indication of that. Several suppliers who were there say they considered it well run and well attended. Despite the "Floyd" factor, Tepal general secretary Humberto Garcia says there were a number of latecomers but few cancellations. Those comments are confirmed by several programmers who attended the event.

But like many other Latino trade shows, it is rethinking its role, given the industry's consolidation and changing needs. The Curaçao event will be followed in mid-November by a marketing conference in Mexico City. Then comes a similar confab, probably early next year in Argentina, targeting the Southern Cone region.

"We want to develop the organization in different areas. Today people want to hear about ad-

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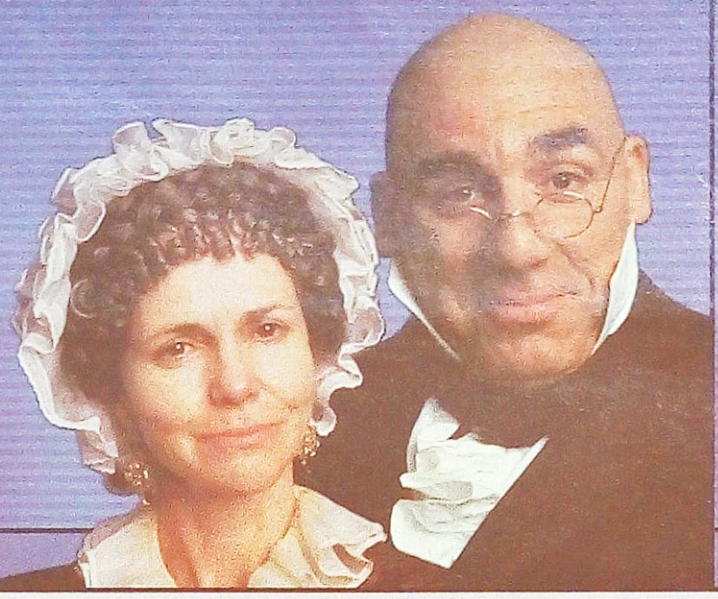

David Copperfield

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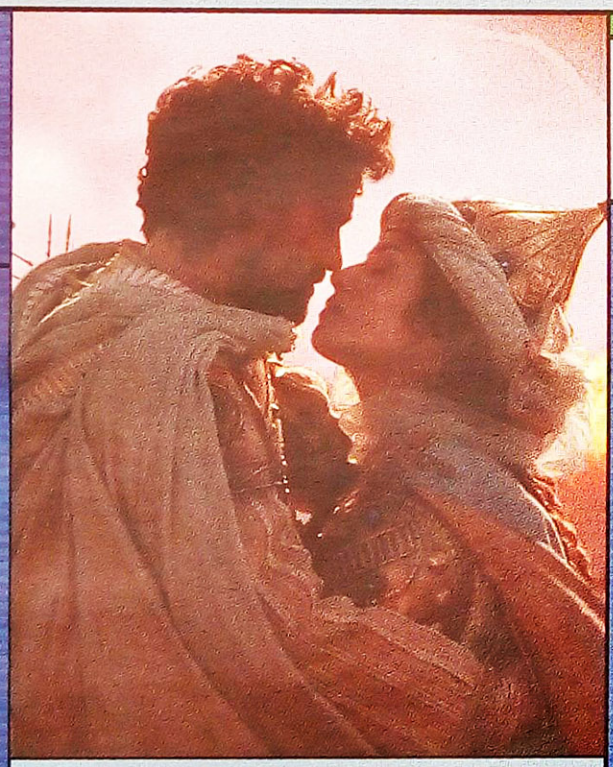

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Venezuelan MSO SuperCable aims to rev up its ad sales with a special promo.

SuperCable's Trip Tricks

BY JO DALLAS

Faced with a sagging advertising market, executives at Venezuelan multiple system operator (MSO), SuperCable stroked their chins and put their heads together. After all, it is not an easy task to convince advertisers to lay out more money amid one of the country's worst recessions and political upheaval following last year's election of nationalist president Hugo Chávez Frias.

Then again, tricky problems can have simple solutions. That was certainly the approach of SuperCable's "boarding pass" advertising-incentive scheme, which bowed in early June. The Hotel Eurobuilding in Caracas was the venue for the splashy breakfast to which SuperCable invited advertising clients to hear about its promotion. At the event, SuperCable offered three advertising packages — for kids, women and sports fans — all with special rates. But the biggest carrot of all was the all-expenses-paid trip to either Miami, Atlanta or Los Angeles, plus $US1,000 in cash for every advertiser that laid down $US200,000 on the spot.

Ten advertisers signed up immediately for the ad packages, says SuperCable executive director of media Francisco Garcia. No one was bold enough to write that big check, so there were no travel freebies. But the event did a lot to boost its advertising coffers as well as its profile.

On that day, SuperCable made the equivalent of 18 percent of its advertising pre-sales, or advertising commitments inked prior to October, the beginning of the ad sales year.

In all, 1999 pre-sales amounted to $US3 million, so the one-off promotion in June raked in $US54,000. SuperCable expects to sell an extra $US1million to $US2 million in advertising this year as a direct result of this year's promotions.

This might not seem like big bucks to the Comcasts or Time-Warner Cables of the world, but it is a significant achievement for a 110,000-subscriber cable company that has only been selling ads for the last three years. That's in a country where the broadcast industry typically attracts between 70 percent and 80 percent of all TV ad spend, which is expected to be flat this year, at best.

Remarkable as it might sound, Venezuela did not openly allow advertising on pay TV until earlier this year, when Venezuela's Supreme Court gave it the official thumbs-up. But even the removal of the legal barriers that had once restricted advertising on this medium has done little to boost the country's lackluster ad

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INTERNET INNOVATOR

Prodding Prodigy Forward

A Web player takes a cue from the U.S. market to develop its business in Latin America

BY JO DALLAS

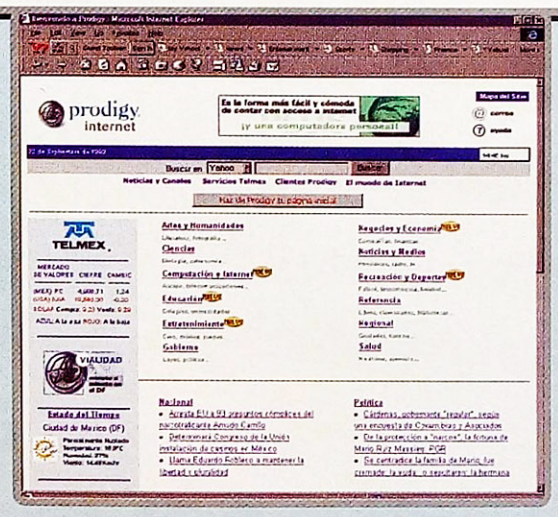
Latin America may lag way behind some other regions of the world when it comes to Internet and PC usage, but if the Mexican unit of Prodigy Internet has its way, that situation will change. Prodigy is stealing a page from the strategy books of some U.S. companies by selling PCs on an installment basis as part of a special promotion. It's running a campaign to that effect on-line, in print, and on broadcast and cable TV.

The forces behind Prodigy have more than just the company's interests at heart. Prodigy is owned by Mexico's top telco, Teléfonos de México S.A. Telmex, as the company is known, is backed by the formidable Carlos Slim Helú, who *Forbes* magazine dubs Latin America's wealthiest entrepreneur. The telco is a 49 percent shareholder of Cablevisión, the Mexico City-based cable company that is currently televising the Prodigy ads over channels on its system.

The commercial shows the talking head of a young professional inside a computer screen, offering viewers two years of free Internet access plus a computer from Acer Computec Latino América S.A., for an installation charge of less than $US100, plus 24 monthly installments of about $US50. There's no excuse for not getting onto the Internet, the talking head emphasizes.

That kind of offer is nothing new for consumers in the United States. However, it is indeed a novelty here, where the problem of payment delinquency typically deters marketers from selling their wares in installments.

But Prodigy is willing to take that risk in order to light a fire under Internet usage. As its director of new technology and communications Arturo Elias Ayub explains, "In Mexico, there's a big barrier to Internet usage, and that is people don't have money to buy a computer. To get to the Internet, you need a computer, so we've come up with a very attractive payment plan."



Prodigy aims to lure new users to its Web site.

Latin America accounts for less than 5 percent of the world's Web users, while roughly 67 percent of them are based in the United States and Canada, according to estimates by Morgan Stanley Dean Witter & Co. In turn, those figures influence the kind of Internet advertising these regions attract. In 1999, the whole of North America is estimated to attract some 85 percent of Internet advertising, while Latin America will receive a mere 1 percent, according to Forrester Research Inc.

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THE HISTORY CHANNEL.

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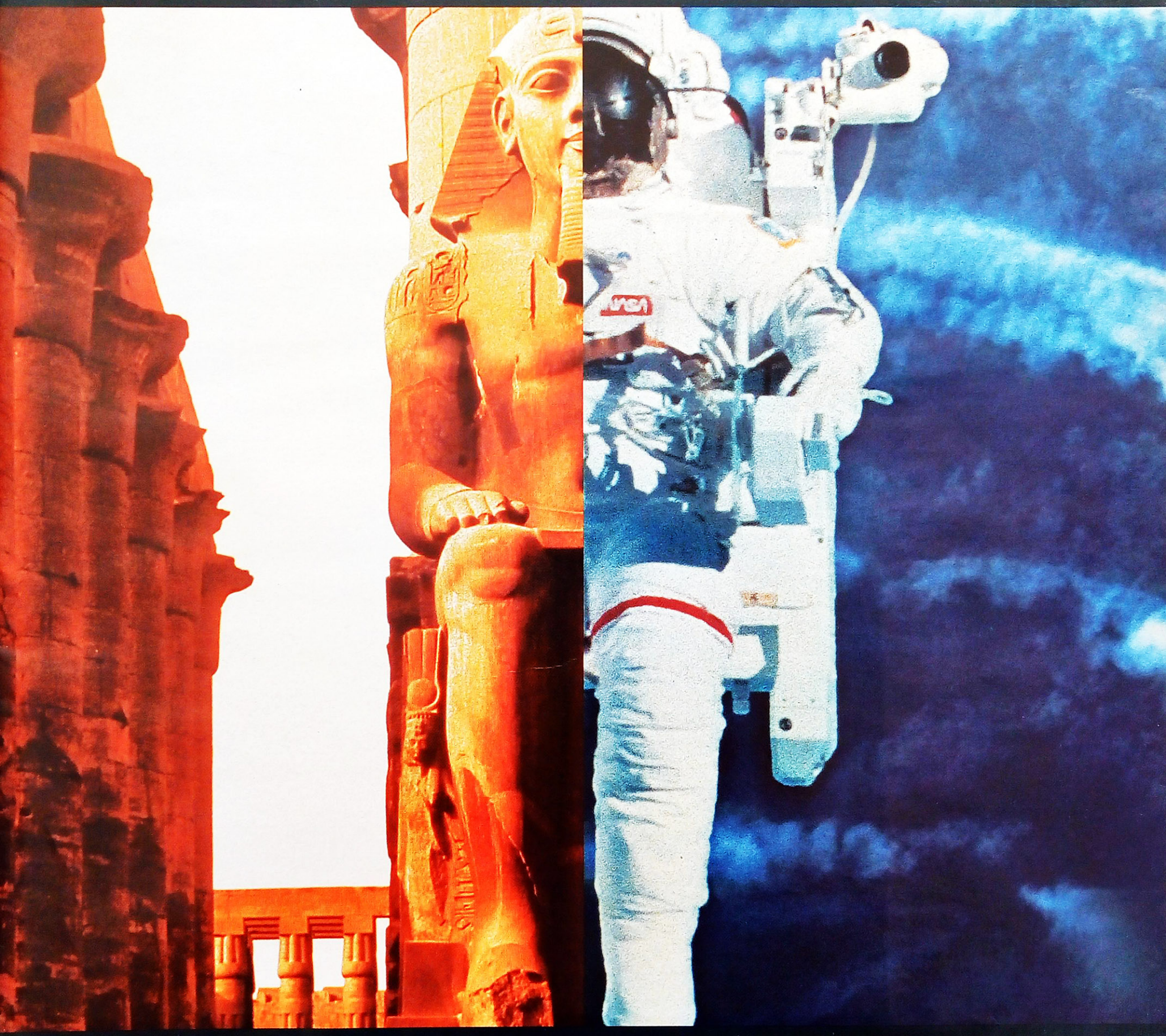

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HotSpots

One Zealous New Zealander

BY MIKE GALETTO

AD EXEC to Watch

Kevin Malloy isn't putting all his kiwis in one basket. Of course, that's probably because the native New Zealander hasn't had the chance to sit still long enough to do so.

Malloy is the New York-based executive vice president, worldwide media director of MediaVest Worldwide, the media arm of The MacManus Group, which owns ad agencies D'Arcy (formerly DMB&B) and N.W. Ayer & Partners. At the ripe old age of 35, his current posting comes after stints in New Zealand, Hong Kong and London, where he worked his way up the media-buying food chain. He's also earned his share of frequent-flyer miles.

"In Asia, I was on the road about 70 percent of the time," says Malloy, whose client list includes blue-chip firms such as Avon Products, Bristol-Meyers Squibb Co., The Coca-Cola Co., M&M Mars and General Motors Corp. "That was pretty brutal. In New York, [the travel has] been less, about 30 to 40 percent."

NO SACRED COWS

Maybe it's the jet-lag that's left him jaded, but talking to the mild-mannered Malloy about pie-in-the-sky concepts that the international pay TV and advertising industries have trotted out over the years elicits anything but an overzealous-adman response.

Take the Internet, which Zenith Media Ltd., for one, expects to boast global ad revenue of $US3.4 billion this year.

"The jury's still out on how to use this thing as an advertising medium. I think there are some real issues with it as a branding medium. I wonder what the value is of having these banners on these damn things," Malloy says.

He'll also take a swipe at a more recent piñata that media companies are dangling in front of advertisers — the cross-media buy. While it might offer convenience, it also brings up some of the same complications of the panregional sell. Just swap out country managers for media-division managers. Don't trip over either one's agenda, balance sheet or ego.

"I'm a little bit cynical about it. We've yet to see any of these organizations pull it off," Malloy surmises. "Say you're a media owner and you own seven different properties. I don't want seven people around the table. That's a waste of time; that's where I am now. There's a lot more talk about this than there has been action."

PANNING PANREGIONAL

What about panregional advertising? "If you like, panregional advertising is a little bit of a myth. What we're seeing is very localized channels," he says, noting the evolution of News Corp.'s Star TV in Asia. "Guess what. The real money in terms of generating ad revenue is in local ad budgets. Most of our clients don't have a centralized pool of money."

Not all of Malloy's clients share his panregional view. "We are trying to implement a panregional effort vis-a-vis a sponsorship effort [in Asia] — getting a bigger bang for our buck," says one client's senior media buyer. "Kevin has been a little reluctant to address that. He's been lukewarm." Even so, the client is quick to describe Malloy as "intelligent" and "analytical." "We defer to him a lot," the client says.

And to be sure, Malloy has directed clients toward regional media at appropriate times. When professional-services firm Ernst & Young L.L.P. was looking for media in which to trumpet its global branding campaign that kicked off in March, it advertised in

MALLOY

panregional publications such as *The Wall Street Journal Europe* and the *Financial Times*.

"He's an excellent negotiator and has excellent ideas on ways to stand out," says Ernst & Young partner and director of external communications Jim Spiros, who oversees the firm's ad efforts.

Stateside, Malloy helped Ernst & Young secure prime real-estate in *Fortune* magazine's "Fortune 500" issue and steered it toward specific spots on pay TV networks such as Discovery Channel and CNNfn. "A lot of people buy tonnage. We tried to be more selective," says Spiros, who adds that the campaign might extend to international pay TV if budgets permit.

And while Spiros' main focus is the U.S., he also likes the global element Malloy brings to the table.

That sentiment is echoed by Dick Soule, MTV Asia's New York-based vice president of advertising sales, who first met Malloy during a seven-year posting in Singapore.

"He's one of the few media managers who understands how to do deals in the Far East as well as Europe. He understands the idiosyncrasies of individual markets, and that's hard to find in New York," lauds Soule, who's in charge of pitching MTV Asia to U.S.-based multinationals. "It's refreshing."

GLOBAL VIEW

Malloy himself credits the cross-border skills with helping him climb the corporate ladder so quickly. "It's one of the reasons I ended up here," he says. But that's a far cry from when he joined the international side a decade ago, when "it was almost seen as the death of your career. It used to be all about buying *Time* and *Newsweek* and being taken out to golf and drink a lot."

But 1989 was the year of the Velvet Revolution, and one of Malloy's areas of focus was Eastern Europe "when those guys were first open to advertising."

It was also there where he began to witness firsthand how governments can take advantage of (and foster) high TV penetration in order to use the medium as a mouthpiece. Observations to that effect continued in Asia.

Maybe it's a good thing that the frank-speaking Malloy is on the buy side. Then again, it beats rose-tinted B.S., and it's one of the things his peers like about him.

"He's very straightforward and very open. He has no hidden agenda," says MTV Asia's Soule. "He wants to cut to the chase and do the most effective thing." ■

Prodigy,
Continued from Page 10

The competition is more than pleased by Prodigy's pitch. "Prodigy's campaign is essentially about boosting market-share," comments Adriana Kampfner, president of the Mexico office of StarMedia Network Inc. and senior vice president of global sales and strategy. "It's a way of creating market share for the [Internet-service provider] business."

StarMedia is launching a Mexican Internet service later this year to rival that of Prodigy, but Kampfner thinks the industry in general benefits from Prodigy's efforts. "Anything that gets computers to people who can't go into a store and throw down $US2,000 for a computer is a good thing," she says. "In Mexico and Latin America, a giant part of the population doesn't have access to the Internet, and it's important for companies not just to look at the A and Bs, but also the C class."

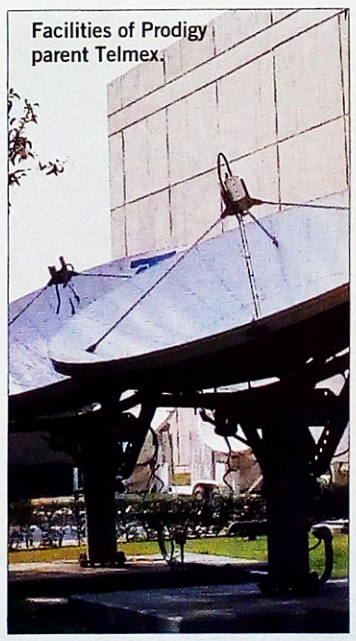
Worldwide Internet Advertising

	1999	2004	1999 World Share	2004 World Share
North America	$US2.8 billion	$US22.6 billion	85%	68%
Europe	$286 million	$5.5B	9%	17%
Asia/Pacific	$166M	$3.3B	5%	10%
Latin America	$51M	$1.6B	2%	5%
Other	$2M	$37M	>1%	>1%
TOTAL	$3.4B	$33.1B		

SOURCE: Forrester Research

And anything to boost market share is good for advertisers, adds Marcelo Salup, a Miami-based senior vice president and media director with ad agency FCB. "By increasing your subscriber base, you can go to advertisers and say, 'Look how many people we have now,'" he says.

Although boosting Prodigy's online ad revenue is definitely something Elias says he has on his mind, the focus for the moment is largely on signing up more Internet accounts. According to Elias, Prodigy has sold 55,000 Acer PCs during the first three months of the advertising campaign. ■


Facilities of Prodigy parent Telmex.

Europe's New Programming Paradigm

The Continent's channel explosion is ushering in a host of new programming concepts.

IF YOU'RE SEEKING BOLD IDEAS about the direction in which television is headed, look no further than Claire Leproust. "We no longer think it is enough to put a new niche channel on the air," says Leproust, director of interactivity at Paris-based programming heavyweight Canal Plus S.A. "Now we consider every new venture as if it were a portal. Interactivity and multimedia should be a core element of the broadcast stream."

Three years ago, she says, Canal Plus' interactive creative unit included just three people. It now comprises a core staff of about 20, plus the designers, technicians and engineers needed to make it all work.

Clearly the "call of the wild" for the European pay TV programming industry right now is the "call of the portal." Canal Plus' strategy in developing new services is very much like that of other network companies in the region, from major groups like Flextech plc and British Sky Broadcasting Group plc (BSkyB), to the fledgling super-niche B4U.

Consider this comment from Adam Singer, chairman of Flextech: "I see a strong integration between our channels and our Web sites as portals. And in our view, we have an Internet strategy for each one of them, so that we can cross-promote from the Web, to the channel, across to other channels and back to those base services."

One manifestation of what Canal Plus has up its sleeve will emerge on Nov. 4 — not so coincidentally the company's 15th anniversary. That's when it

BY CHRIS FORRESTER

launches a service dubbed i>television, a news channel modeled after New York's NY1. That service made a name for itself in the United States cable industry with its snappy news-gathering techniques, including one-person news crews designed to provide localized and community-based news in the New York metropolitan area.

The NY1 influence isn't exactly a guarantee for success. Channel 1, a similar service based in London, failed dismally last year. But Canal Plus has recognized the risks and added its own spin. It's equipping all its correspondents with state-of-the-art news-gathering vehicles with self-tracking roof-mounted satellite dishes to beam their reports back to base from anywhere in France.

Even more revolutionary, Canal Plus has brought its Web skills to the TV, creating a subset of screens for i>television, with *Le Journal de Chez Vous* (*Your Hometown Newspaper*), which supplies highly localized news-on-demand. Viewers can digitally bookmark their favorite pages, regions and interests such as fashion, sports, business and the like. *Le Journal* is also designed to provide regional classified ads, and earn Canal Plus a few extra francs.

This all-digital service is delivered using Canal Plus' Media-Highway technology, which creates enhanced teletext with no special gizmo needed. Canal Plus' basic remote control takes viewers into the interactive options. Missed the top-of-the-hour news or some key interview? No problem, just call it up onto a picture-alongside-picture image from the on-screen news menu.

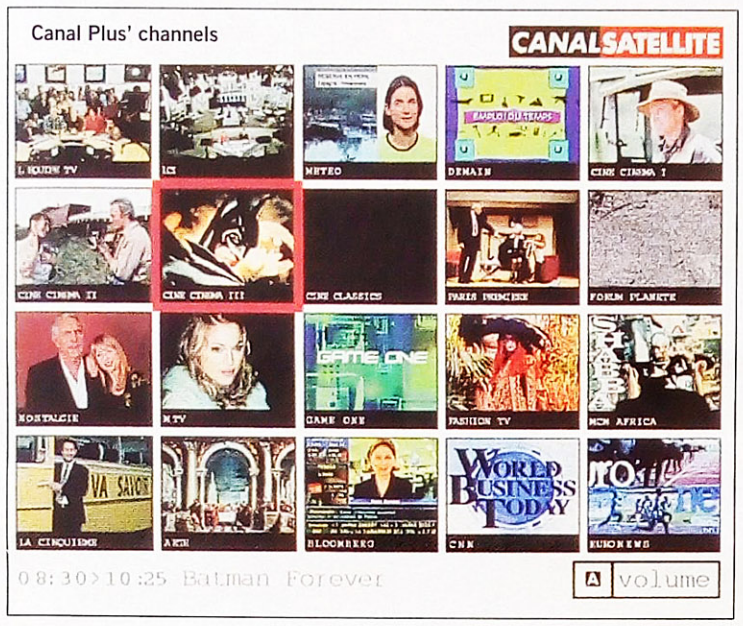
The service is matched by similar sophistication on Canal's Le Chaine Meteo (The Weather Channel), which again allows viewers to instantly narrow down to specific regions or services.

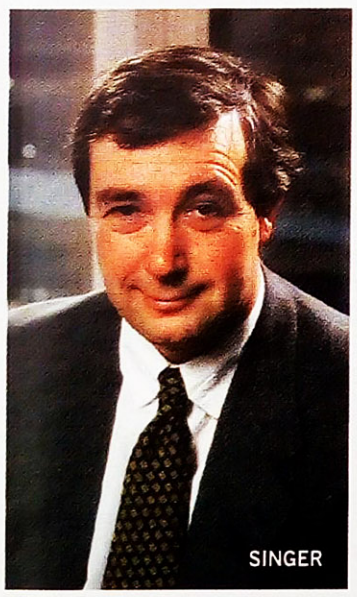
Other new channels from Canal Plus are springing up on its digital-channel bouquet Satellite Numerique. This autumn it will launch Planete 2, a multiplexed documentary channel; Pathé Sports, another sports service; as well as Turner Broadcasting's Turner Classic Movies, which goes live on Oct. 15 with a slate of back-to-back movies mostly with French audio tracks.

Leproust says all these examples have potential to be far more than just linear entertainment channels, and her intention goes beyond simply turning every channel into a portal. "Every program is a sub-portal," she says.

Leproust's team is attempting to add value, either with extra "free" services within each channel, allowing viewers to access relevant background data and information, or with the all-important extra revenue streams coming from transactional or membership-based services.

The new strategy at Canal Plus and other companies is starting to spawn a whole new industry view of how the business is transforming. Michael Wolf, media consultant at the U.S. corporate-services firm Booz-Allen & Hamilton Inc., told attendees at Berlin's recent International Media Forum that tomorrow's television will make the TV of today "look like black-and-white television to us.





TV networks will only prosper if they adapt to TV's new age."

Steve Billinger, director of interactive programming at BSkyB of the U.K., holds a similar view. "It is my belief that currently the term 'television' doesn't even have the same common meaning that it did even two or three years ago. It is totally changing," he says.

It's that perspective that is driving some of the BSkyB projects that Billinger oversees. Among them is the upcoming Sky Rocket, BSkyB's online entertainment service due to launch next month.

Also televised under the BSkyB banner is a service it's dubbed Open...., an interactive transactional-television service from British Interactive Broadcasting, in which BSkyB has a 32.5 percent stake. Open.... has been in a test mode for most of this past summer and goes live early this month. BSkyB's partners in the venture include British Telecommunications plc, HSBC Holdings plc and Japan's Matsushita Electric Industrial Co.

That investment is already getting some good reviews. In a recent report, investment analysts at Investec Henderson Crosthwaite predicted that even if Open.... is restricted to BSkyB's digital platform — in other words, doesn't ink distribution contracts with cable or digital-terrestrial systems — it will still be profitable in about four years. Investec says the company is today worth about $US2.1 billion, and in four years could be worth $US5.4 billion.

Already placing much greater emphasis on that broadband "content pie" is Flextech plc, the U.K. network group that is 35 percent owned by Liberty Media International Inc. Flextech is in "advanced discussions" with Open... about adding its own interactive and transactional services to the platform.

Flextech next year will launch one new "conventional" channel, Living Health, which will contain substantial interactive elements. But in the meantime, it is placing considerable emphasis on adding more comprehensive interactive services, including its promised Scene One channel, a TV spinoff of its existing Scene One entertainment guide Web site. Scene One itself will launch as a stand-alone digital channel next year.

As it continues to mine Internet opportunities, Singer says Flextech is also on the lookout for new channel acquisitions — "individual channels which we can go out and buy to help aggregate scale." He notes that there are several European channels that are soldiering on, but still a long way from profitability. "There is no way on God's Earth that a single channel coping with the total coalescence of your customer base is going to be able to cope as a single channel," he maintains.

Europe's main satellite providers give some indications of how tough the competition has become for independent channels — let alone channels in large groups. Officials at satellite operator Société Européenne des Satellites S.A., better known as Astra, say they have achieved an eight-fold increase in the number of channels they transmit over the last four years.

Presently, Astra carries more than 880 video and audio channels, and it promises much more to come, with the expected launch of another four satellites by the end of 2001.

Another channel explosion is in evidence at Astra's rival, Eutelsat. The Paris-based company's director general, Giuliano Berretta, says that at the end of 1996, Eutelsat carried just 70 TV channels, all in analog. Today it transmits more than 550 television channels, the bulk in digital, plus another couple hundred radio stations.

Despite the tough sledding for independent channels, the satellite providers are making life much easier for them with the lower pricing that digital compression provides. Astra, for example, has gone after niche ethnic channels from other parts of the world that aim for expat audiences residing in Europe.

Among Astra's signals are six Asian channels, including a premium Indian movie service called B4U (Bollywood For You). It will be followed shortly by another channel M4U, programmed with Indian music videos. And both are closely linked to a Web site that B4U's CEO, Ravi Gupta, calls a "complete databank" on Bollywood, a nickname for the Indian film capital of Mumbai.

Romain Bausch, Astra's director general, provides a birds-eye view of the two paths that program networks of the future are likely to follow. There's the traditional channel style. And then there's "the electronic supply of all sorts of content, video, entertainment, education," he says. "In other words, there will be the prepared, structured type of channel, and the unpackaged style."

Bausch predicts that the new broadband and enhanced-TV services will quickly grow to account for about one third of Astra's revenues in Europe. Berretta foresees another development. Eutelsat "now has a total of 37 [digital] multiplexes," he says. "There are new niches coming up every day, but they need to find carriage and sell themselves at a much lower price."

"It is important we hold the subscriber's hand. The TV is a passive media for entertainment."

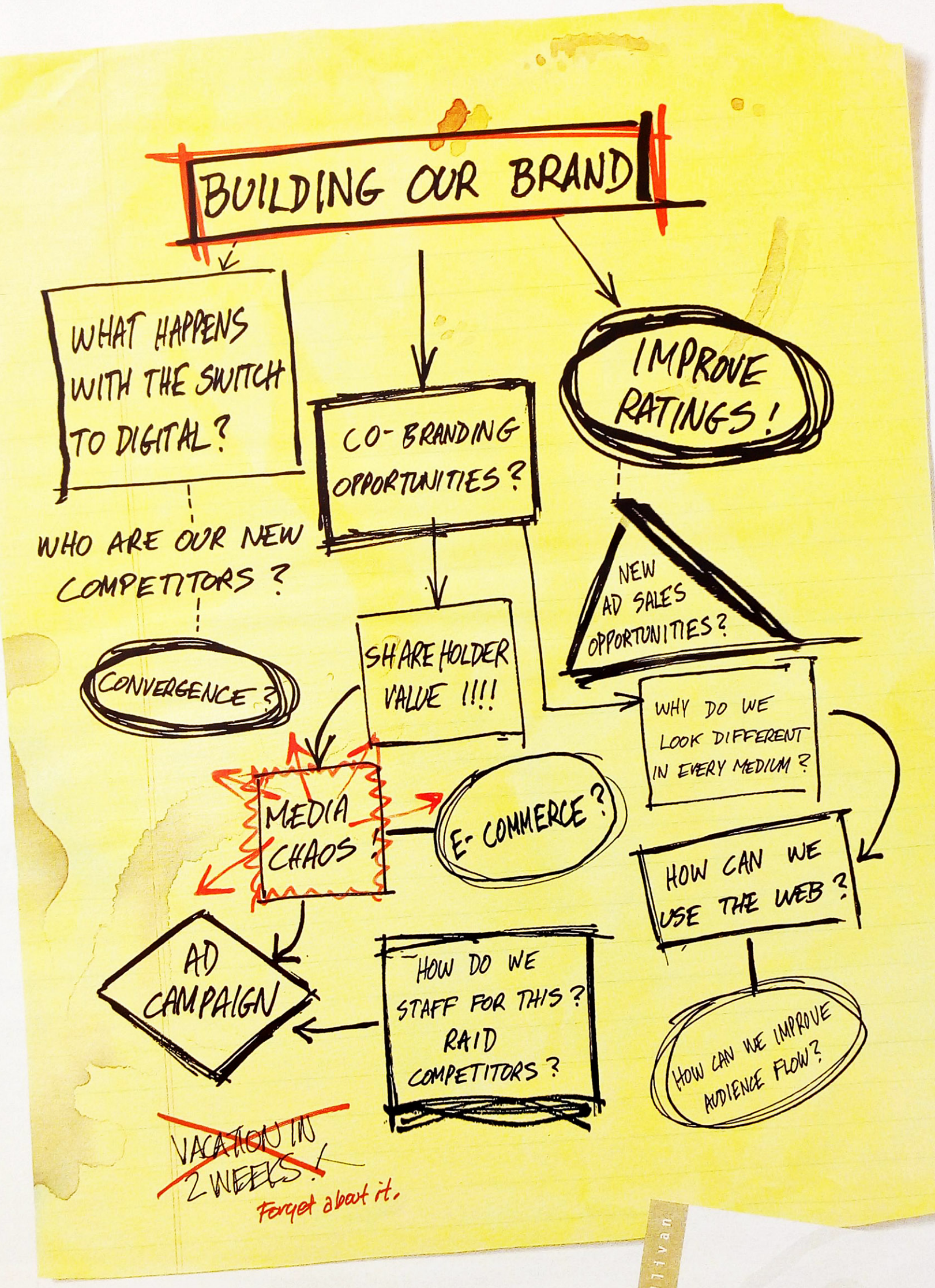
— Claire Leproust, director of interactivity, Canal Plus S.A.

That may be so. But Flextech's Singer adds a warning: "There must be a distribution base to support [the new channels]. The issue is totally related to the distribution base. Our dilemma at the moment is making the business work with just 7 million U.K. subs."

Flextech knows the cost of launching digitally. Its latest interim results showed a move from a modest profit of $US2.7 million in 1998 to a loss of $US4.6 million this year, largely because of the rapid increase in BSkyB's digital subscribers. Flextech receives significantly less for each digital subscriber compared to an analog-DTH sub. "We would save about $US50 million a year once we switch analog off. That's a lot of money," says Singer.

According to Singer, there is little prospect for new niche services in the U.K. "Do I believe there could be when there are 10 million subs? Yes. If that 10 million could be reached through digital transmission, then doubly yes," he says.

Continued on Page 18



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Europe

Continued from Page 16

Other notes of caution and outright pessimism about a glowing new network world come from Georg Kofler, the outgoing CEO of Germany's Pro Sieben Media A.G. He dismisses the "thousands-of-channels" scenario, opining that technology will not change the passive viewing habits of most. "Even in a multimedia market, people will continue to follow the laws of sloth," he says. "If a super-user for all this new media does exist in the future, he'll be ready for a heart attack in a year."

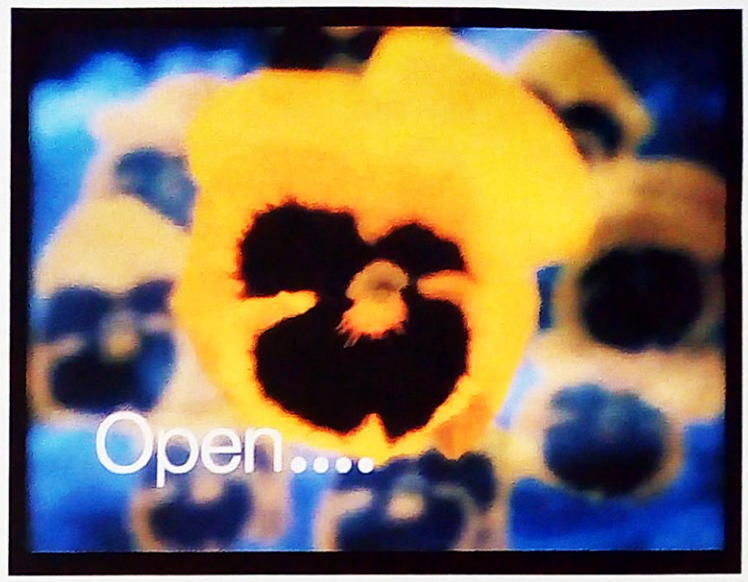
Kofler believes that most people will still want to use their free time to relax and will consider too many entertainment choices stressful.

Pro Sieben, which is controlled by the son of the German media mogul Leo Kirch, is certainly not taking a passive role in the business. On Jan. 24, it plans to launch a 24-hour news channel, N24, which will compete with the established ntv German news channel — a service backed by Time Warner Inc. and its CNN International unit. Kofler says Pro Sieben's other niche service, film channel Kabel 1, will also be revamped to offer schedules complementary to Kirch's SAT1 channel.

Much larger programming developments in Germany are manifest at the Leo Kirch's Kirch Group. Last month, it relaunched its somewhat lackluster DF-1 digital DTH platform as Premiere World, and forecasts 2.9 million subscribers by the end of next year. Initially Premiere's plan called for just 16 channels, much less than DF-1. Dieter Hahn, Kirch Group's deputy CEO, isn't so sure whether passive or active TV viewing will win out, so he's hedging Premiere's bets.

"It does not matter how we reach our viewers, whether it is over the Internet, via satellite, cable or antenna," Hahn says. "Just as long as we reach them."

Bernd Kundrun, Premiere's former managing director (who is now with publishing giant Gruner+Jahr A.G.) warns "the possibility of successfully launching digital niche channels in the saturated German market is as difficult [as ever]."



BSkyB is blooming on the interactive programming front through Open...

Tony Garland, who heads two channels that inked distribution contracts with Premiere — 13th Street and movie channel Studio Universal — agrees that programmers can no longer ignore the threats and opportunities coming from Web-delivered services. "The Internet will change the shape of what we sell. That's why it is my job not to build TV channels, but TV brands," says Garland, president of Universal Studios Networks.

Canal Plus' Leproust recognizes the problems. "It is important we hold the subscriber's hand. The TV is a passive media for entertainment," she says. "If we look at consumer habits, with our 60 thematic channels, most consumers have the ability to manage that offer. But some people have difficulty coping, which is why it is important we help them navigate."

Ready and willing to help programmers and distributors with that process are products like TiVo — a digital video-recording service that not only records shows, but recommends programs to viewers. Premiere has contracted with Dutch-based Philips Electronics N.V. — one of TiVo Inc.'s backers — to include TiVo's technology in Premiere's next-generation digital set-top boxes.

Also among those looking to take viewers by the hand is Microsoft Corp.'s WebTV service, whose core business is designed to add value to established programming and channels. Jim Beveridge, WebTV's business-development manager for Europe, predicts explosive growth in Web-streamed channels.

"It's junk today, and one would have to be pretty keen to sit and watch or listen to these wonderful two-inch-sized windows [on the TV screen], but it is going to get much better."

"One problem is that a lot of people in the program-making arena do not understand what is going on [in technology]. And a lot of people in the technology areas don't know a thing about program-making," Beveridge adds.

That all hearkens back to the problem Singer raises: making the economics work. One path he is exploring is the export of Flextech channels into different markets. The Trouble, Living, Bravo and Scene One channels are all possible candidates for joint venture or format-licensing deals beyond U.K shores.

> "Even in a multimedia market, people will continue to follow the laws of sloth. If a super-user for all this new media does exist in the future, he'll be ready for a heart attack in a year."
>
> *— Georg Kofler, outgoing CEO, ProSieben Media*

"The best thing surely is for everyone to survive and everyone to make a living. But what's actually going on is that the margins are getting more and more squeezed," he says. "The ones who will survive are the ones who will turn up with a large bouquet of big fat channels." ■

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Telefónica's Madrid headquarters

Julio Iglesias is not the only Spanish resident of Miami who guards his privacy jealously but knows when to make a public splash. The usually low-profile Telefónica S.A. has also been making waves recently in the Latino business hub by setting up a new global media holding company, Telefónica Media, to bring together all the group's media-related assets into a single company.

Yet this unit is but one small piece of a larger restructuring plan designed to streamline business along different lines of activity, whether in telephony, the Internet or data transmission. Indeed, hardly a week seems to pass without some word of a new Telefónica deal, partnership or planned spinoff that speaks to that new strategy.

But the game plan is a work in progress, believes John Graves, a Latin American telecoms analyst with Paribas investment bank, in New York. "Telefónica is still groping for a strategy," he says. That may explain why Telefónica's top executives declined to be interviewed for this story.

But people close to the company say it intends to deepen its already significant asset base in Latin America, and elbow out a partner or two in the process. All of its assets in the region are held through its Telefónica Internacional S.A. (TISA) arm. Telefónica also wants to use its expertise in Spanish-language media to spearhead an attack on the Hispanic market in the United States. To date, its only investment there is a small stake in Internet-service provider (ISP) Infonet. But its ambitions go much further than that, with the announcement last May that it is

Reigning in Spain...

And Way Beyond

Spain's top telco is overhauling every aspect of its business in its quest to become a global communications company.

BY JO DALLAS, ELENA RUIZ ARGÜELLO AND JOSHUA GOODMAN

Telefónica's network control center

building a $US900 million fiber optic cable network linking North and South America.

In Europe, the company is also moving into virgin territory by investing in new markets such as Italy and Austria — as well as North Africa, by way of Morocco.

At the same time, Telefónica is bent on becoming a full-fledged communications company, providing a menu of media services ranging from fixed-line and wireless telephony, to programming to Internet access. As one Telefónica executive puts it, "Our strategy is to integrate services no matter what the network or delivery system is."

The same could certainly be said about any number of formerly state-owned telcos with plenty of power and influence. But Telefónica is a horse of a slightly different color.

Tim Hirst, a London-based telecommunications analyst with Salomon Smith Barney Inc., believes that among the top global telcos, Telefónica has performed quite favorably in the dating game. "Telefónica was [forging partnerships] much earlier than either Deutsche Telekom or France Telecom," he says. "British Telecom has done a reasonably good job of it in Europe, though it does not have the kind of [high] equity stakes in the local telco incumbents there," as TISA does in Latin America.

Despite its success at finding partners so far, there is still a question mark over whether Telefónica will ally itself with a European telco partner any time soon. There have been widespread rumors that Deutsche Telekom A.G. might be a potential partner. But this question only elicits an arched response from Telefónica corporate communications manager Juan José Berganza: "Big telcoms companies will go through a concentration process, and in that process Telefónica will be an active player, not a passive one."

Whatever the intention in this regard, Telefónica certainly has the resources to fuel its future pursuits. It boasted revenue of more than $US20 billion in 1998. In the first half of this year, it announced a 73 percent jump in profits compared with the same period in 1998.

There are strong forces driving Telefónica further into the global arena. For one, the company is facing increasing competition at home. Telefónica subsidiary Telefónica Cable may have cable licenses to operate all over Spain, but it is barred from doing business in any of its franchise areas until the second cable operator has been operating for two years. In that way, the government is hoping that Telefónica — a behemoth by anyone's measure, let alone that of Spain's fledgling cable industry — won't have an unfair advantage over its nascent rivals.

Given the present licensing schedule, Telefónica will be competing with other cable companies by the end of next year. But the newcomers are adamant that two years do not give them enough preparation time, and that the "exclusion period" be extended.

"Five years are needed to compete with Telefónica, otherwise we'll have a difficult time participating in the industry at all," argues a spokesman for the Cable Operators' Association (COA), which groups many of these independent operators. However, there is little indication so far that the Spanish government is in any

way prepared to bend current rules.

In the meantime, Telefónica is exploiting the pay TV business through other means, via its two year old direct-to-home (DTH) platform Vía Digital, which currently has 313,000 subscribers. Rival Canal Satelital Digital, meanwhile, boasts 713,741 subs.

On the telco side, the deregulation of Spain's telephony industry has ushered in competition. More recently, falling phone rates have also predictably eaten into Telefónica's domestic income. By 2003, Telefónica is projected to lose up to 40 percent of its market-share in long-distance and international calls, according to a report published in July by the London research unit of investment bank Lehman Bros. Inc.

RIOS

Telefónica has nailed its banner to the mast of multimedia. But exactly how it plans to implement that strategy still remains somewhat murky. Despite the significance of opening a Miami office, little information has yet emerged from that unit. Its president, José Antonio Ríos, was until recently the president and CEO of panregional DTH platform Galaxy Latin America.

The announcement of his appointment was shortly followed by word that he was being joined by two other well-respected executives in the Latin American business. Antonio Barreto, formerly CEO of one of the region's largest multiple system operators (MSOs), Net Brasil, is now the director for the pay TV division of Telefónica Media. And Alberto Ennis, formerly GLA's director in Mexico, now becomes Telefónica Media's director of content for its audio-visual unit.

In many ways, these well-liked, high-profile executives are helping to put a face on a company that has in the past been somewhat anonymous. So far, however, the new faces haven't exhibited many expressions.

Since joining Telefónica, Ríos and Barreto have only been willing to comment through third parities that their unit is still too young to discuss publicly. The only, rather stiff, comment has come from Telefónica's Berganza, who says, "We are studying the unification of Telefónica's potential in Spain and Latin America to benefit from our synergies." Nevertheless, Ríos will preside over a press conference at the MIPCOM program market in Cannes, France, and will wine and dine the industry at a special party during the show.

What is clear is that Telefónica has become extremely image conscious of late. Significantly, it is rebranding many of its assets and services to include the Telefónica name. That includes many of the Latino telcos in which it's invested, such as Chile's Compañía de Telecomunicaciones de Chile S.A. (CTC), which was recently re-christened Telefónica Chile S.A.

The branding makes a lot of sense, say observers. "If you were Telefónica, with a hodgepodge of regional businesses, it would be logical to put these businesses together so that you could drive market and brand synergies together under one global Telefónica brand," says Patrick Grenham, a Latin telecoms analyst with Salomon Smith Barney in New York.

Other clues to TISA's long-term ambitions are found in Argentina, where the company is becoming much more aggressive.

According to well-placed sources, TISA wants to gain managerial control of those Argentine assets in which it owns a stake but does not control. Last month, according to the sources, TISA was involved in negotiations to buy out some of the holdings of its partner Liberty Media International Inc. — although Liberty executives firmly denied that there was serious discussion of a sell-out. (See "One on One" department, page 56.)

Among the TISA/Liberty ventures is Argentine MSO CableVisión, in which Liberty has a 28.2 percent stake and TISA a 35.9 percent stake. A third partner, CEI Citicorp Holdings S.A. (CEI), holds another 35.9 percent.

The three players also jointly own one of the most powerful sports-programming firms in Latin America — production and distribution company Torneos y Competencias (TyC). This company, in turn, holds a minority stake in two other firms, Atco and AC Inversora, which, between them, control a network of leading broadcast networks, radio stations and publishing houses.

BARRETO

Talks between TISA and Liberty may be dead in the water right now, but in a market that changes with remarkable frequency, it would not be surprising for some new equity configuration to emerge. Adding another twist to an already complex situation are TISA's dealings with CEI, which is controlled by Dallas-based private investor Hicks, Muse, Tate & Furst Inc., one of the most aggressive players in Latin American media.

Relations between the two have been strained, almost to the breaking point, for some time now. Some executives at CEI, as well as at other companies partnered with

Continued on Page 24

Telefónica Group's Media and Telephony Holdings

LATIN AMERICA

GUATEMALA
Telefónica Centroamérica 51%

EL SALVADOR
Telefonica de El Salvador 51%

CHILE
Telefónica Chile 43.6%
(Telefonica Chile owns 40% of MSO Metropolis-Intercom)

PERU
Telefónica del Peru 36.4%
(Telefonica del Peru owns MSO Cable Mágico)

VENEZUELA
Compania Anónima de Teléfonos de Venezuela 6.4%

BRAZIL
Telesp Participacoes.....16.8%
Companhia Riograndense de Telecomunicacoes (CRT)
(Fixed-line) 16.7%
(Cellular) 16.7%
Teleleste (cellular).....8.1%
Telesudeste (cellular) 17.6%

PUERTO RICO
Telefónica Larga Distancia.....98%

ARGENTINA
Cointel 25.5%
(Cointel is a holding company that controls Telefónica de Argentina)
Cablevision 35.9%
Torneos y Competencias (TyC) 20%
ATCO 26.8%
AC Inversora 26.8%

THE AMERICAS

Sam-1 undersea-cable project.....75%

SPAIN

Vía Digital (DTH).....68.8%
Antena 3 (broadcast TV).....46.9%
GMA (soccer rights).....100%
Audiovisual Sport (soccer rights) 40%

REST OF EUROPE

Pearson (U.K.) 5%
European Telecom (Austria).....75%
Telefónica-ACEA (Italy).....49%
Medi Telecom (Morocco) 34.5%
Portugal Telecom 3.5%

Note: Chart does not include assets held in film, radio, or Internet companies

SOURCE: Telefónica/CEI

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Telefónica,

Continued from Page 22

TISA, have been particularly bitter in their criticism of the company, accusing it of suffering from an inflexible, controlling mindset. They claim that it is part of an arrogant corporate culture stemming from the legacy left by its parent company, which enjoyed a state-sanctioned monopoly. While these opinions are by no means universal, TISA isn't exactly known for its warm and cuddly behavior. After all, it hasn't had to work too hard at relationships, since it often has the whip hand.

From the early 1990s onward, it typically bought the largest equity stake it could in the major telcos throughout Latin America. It was a move that also gave it a natural entrée into cable, since many of those telcos are also owners of large cable companies.

Foreign-ownership restrictions might have barred it from outright equity control in both telephony and cable. However, its substantial investments, coupled with favorable management contracts, often has meant that it ended up in control.

"In terms of Telefónica's big telco investments [in Latin America], except from Brazil, it is arguably, though not technically, the largest investor," says Salomon Smith Barney's Hirst. "They might not have equity control, but enough clout with which to manage and run their investments." He notes that Telefónica almost has voting control of its largest telco investment, Telefónica Chile, despite owning less than 50 percent of the company.

That view is also shared by Telefónica's Berganza, who says the goal has always been, "to control the main telecoms companies in Argentina, Peru, Chile and Brazil," in basic and mobile telephony.

In Argentina, TISA's history has been somewhat different — at least in media, where the presence of other global heavyweights, such as Liberty and Hicks, Muse has meant that TISA has perhaps had to work harder at forging partnerships. Its traditional conquer-and-control strategy was just not an option.

Nor has it been in Europe, where the strategy is to enter the market as a competitor to the existing telco incumbent, not to take over the incumbent. That is certainly the case in Italy where, last June, it bought into the local company ACEA, to develop the second largest telecoms network in and around Rome. Over in Austria, it bought a stake in the country's third largest telco operator, European Telecom International. In Morocco, Telefónica is part of a consortium, Medi Telecom, that holds the country's second largest license in mobile telephony.

Argentine MSO CableVisión

Back in Argentina, the question remains whether it can continue working together in some way or form with CEI, or whether or a split is imminent. CEI has already been talking to TISA about selling its stake in Cointel, the holding company that controls a top Argentine telco, Telefónica de Argentina S.A.

According to Roger Heale, a media analyst with the Buenos Aires office of brokerage firm Raymond James Argentina, CEI has already rejected a $US5 billion offer from TISA, arguing that the price was too low. Nevertheless, he predicts that TISA will end up with CEI's Cointel stake by year's end.

On that score, what TISA has in its favor, says Heale, "is that Hicks, Muse — as a private equity-investment fund — needs to sell its assets eventually in order to turn a profit. If the offer is right, there is no reason why [Hicks, Muse] wouldn't do it now instead of five years down the road."

Heale also predicts that TISA will end up with some of Hicks, Muse's media assets, backing the notion that media is by no means secondary to the Spanish telco giant. Once upon a time, there was a theory that said TISA only got so interested in Argentine media in the first place because of the aggressive nature of Hicks, Muse there. Says Heale: "Before Hicks, Muse arrived at CEI, TISA had no urgency to develop its media assets here because they faced no real competition." It is not the first time someone has questioned TISA's motives for moving into media.

Some in the industry have said that TISA only bought into cable companies as part of a defense move to block any rival telco from getting ahead of the game. But that's a common attitude among large phone companies. Just take a look at Mexico, where the country's dominant telco, Teléfonos de México S.A. (Telmex) grabbed a big slice of Mexico City cable system Cablevisión, first and foremost to prevent any of its telco competitors from snapping it up.

But in a sense, whether TISA has leaped, or has been pushed into media, is, in some ways, not the issue. What's clear is that it is now actively immersing itself in a whole range of new media business, not the least of which is Internet-service provision. In this area, TISA will attempt to repeat the kind of success it has had in Spain. There, according to the Lehman Bros. report, it controls 80 percent of the ISP business.

> The goal has always been "to control the main telecoms companies in Argentina, Peru, Chile and Brazil" in basic and mobile telephony.
>
> *— Juan José Berganza, corporate communications manager, Telefónica Group*

The company has already forged ISP agreements in Argentina, Peru, Chile and Brazil, according to Berganza. Telefónica is also reportedly considering an initial public offering of Interactiva in a move one of its partners in the business claims will help it create the world's largest Spanish- and Portuguese-language Internet service.

While its executives are press shy — for the moment — Telefónica, like Julio Iglesias on tour, appears to want to take the world by storm. ■

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Players from across Australia's media spectrum are chasing interactive riches.

A BALMY WINTER'S EVENING IN LATE AUGUST saw Australia's broadcast networks flex their muscles in the nation's capital of Canberra. They mustered all the power and glamour they could to unveil their plans for digital-terrestrial television (DTT).

The evening received maximum newspaper coverage and caught the attention of the assembled politicians, thanks to several technical mishaps and a roomful of Australian TV and sports stars. And the high-definition television (HDTV) demonstration received the imprimatur of media baron Kerry Packer — the richest man in Australia and chairman of Publishing & Broadcasting Ltd., owner of the No. 1-ranked Nine Network.

But the free-to-air networks aren't the only ones calling the shots. A host of new players, led by telcos, newspaper publishers and Internet-service providers, are itching to provide data services, enhanced television and Internet-over-TV on the same spectrum as the broadcasters' digital signals. And the pay TV operators that will run their own cable- and satellite-delivered interactive services are making sure they protect their multichannel turf. Their positioning is set against a debate that's currently centered on how many hours of HDTV the commercial networks will broadcast daily and how expensive it will be for the consumer to buy HDTV-enabled sets.

The networks have said they plan to broadcast in HDTV two hours per day during prime time. What they'll do for the rest of the day is unknown. And the standard that will determine whether consumers will need to buy $A15,000 ($US9,750) digital-TV sets or $A500 ($US325) set-top boxes has yet to be finalized.

Packer says the idea that HDTV sets could cost up to $A15,000 is "nonsense." He scoffs at reports that HDTV standards will put receivers out of most consumers' price range. Concerning the use of digital terrestrial for peripheral services, he says, "I think people are going to use television for television. Of course it's going to change, but who

Continued on Page 29

Charting Australia's Digital Course

By Pip Bulbeck

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Australia

Continued from Page 26

knows how it's going to change?"

The industry is keenly focused on a much more clear-cut reality: The networks are set to flip the switch to digital on Jan. 31, 2001, a mere 16 months away. And there's some furious lobbying taking place that will determine how much of the end game they really have. That includes how much of their spectrum they'll use for HDTV and standard-definition TV — and how much will be left over for the datacasters.

The possibility that the commercial broadcasters will use the spectrum for multichannel platforms isn't an issue, as their seven-year licenses don't allow for that possibility. The public broadcasters, however, could opt for multichannel delivery.

> "The emerging nature of broadband technologies presents a real challenge for telecom businesses. End users don't care what the enabling technologies are."
>
> *— David Stokes McKeon, managing director of Internet and data services, Telstra Corp. Ltd.*

The commercial networks are attempting to hold the datacasters at bay by arguing with the government that they deserve as much of the spectrum as possible, because it will be so expensive to convert to digital. Estimates of their total capital costs have ranged from $A500 million ($US325 million) to $A750 million ($US487 million).

The jockeying for a position in the new digital regime goes beyond the DTT play. Those involved are also eyeing digital cable and satellite for additional distribution.

No one knows how big the pie is, nor how it will be split. But with Internet penetration in Australia the third highest in the world, according to research from the Australian Internet research company www.consult, the market potential is significant. It will pay to watch the major players very closely as they maneuver for as big a piece of that pie that they can muster.

THE TELCOS

Australia's two major telcos, Telstra Corp. Ltd. and Cable &Wireless Optus Ltd., both own competing broadband-cable systems that deliver pay TV to homes in Australia's territory capitals. And both have nascent cable-modem services running across those networks.

Telstra has an exclusive distribution contract with its part-owned systems company Foxtel, an operator that also has the backing of News Corp. and PBL. Foxtel is the sole pay TV provider over Telstra's network, and the telco is aiming to recoup its $1A billion ($US650 million) investment in the hybrid fiber-coax (HFC) network with Internet, cable-modem and other services offered independently from Foxtel. The MSO has 500,000 subscribers.

C&W Optus, meanwhile, is offering a package of products on its HFC network, including pay TV, local telephony and Internet services to some 200,000-plus customers.

Telstra is now working on an interactive-TV application it has dubbed BigPond TV, the same brand as its Internet-access, cable-modem and satellite Internet services. It has been running technical trials with Oracle Corp. and Microsoft Corp.'s WebTV Networks to make the Internet available on TV by "integrating the Internet, television data, vertical-blanking interval and traditional television-video broadcast," says John Rolland, Telstra's general manager of data and Internet services.

According to Rolland's boss, David Stokes McKeon, Telstra's managing director of Internet and data services, "the emerging nature of broadband technologies presents a real challenge for telecom businesses. End users don't care what the enabling technologies are. They are more interested in the quality of the experience rather than how its was achieved.

"What's important for us is the development of a universal interface will make it easy for us to offer users the widest and best range of emerging technologies," he adds.

The telco is working with the Seven and Nine commercial broadcast networks to build the transmission infrastructure for their digital-TV services, which will enable them to use cable, satellite or terrestrial distribution.

Less clear, however, is what Telstra plans with Foxtel. The HFC network has yet to be upgraded to provide interactive services, and Foxtel has only deployed analog set-top boxes.

A Foxtel source says the company "is looking at interactive TV very closely and has had discussions with some potential suppliers and partners." He says the trigger for Foxtel going digital will be "when the commercial-TV networks roll out their digital services beginning in January 2001. Telstra's own plans for digital datacasting — as well as those of News Corp. — may involve Foxtel, but that's "primarily a shareholder issue," according to the source.

That said, managing shareholder News Corp. has publicly stated its intentions to create a digital-broadcasting company that will eventually bid for the license to operate the country's fourth

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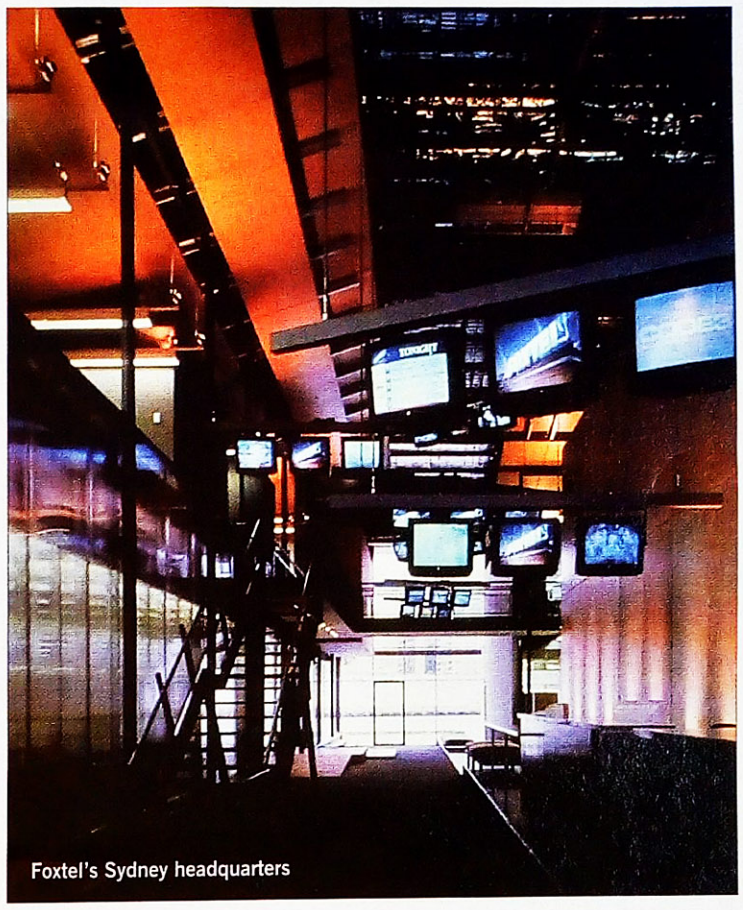

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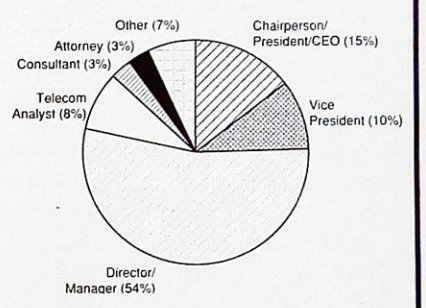
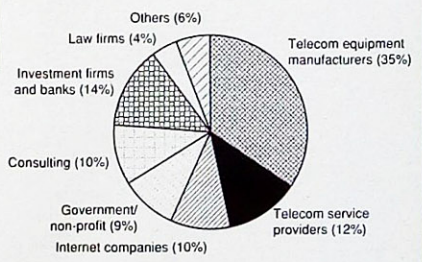
Breakdown of Attendees



Distribution of Attendees by Industry Sector



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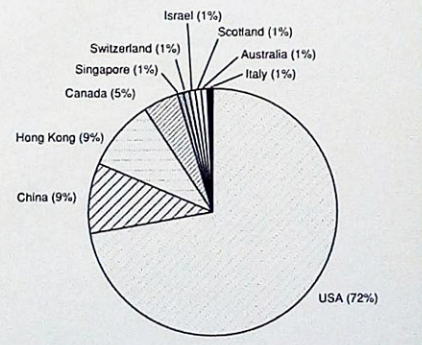

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Australia

Continued from Page 29

commercial television network, if it becomes available, in 2008.

C&W Optus, meanwhile, is banking on its recent partnership with the U.S.-based broadband-Internet company Excite@Home to derive additional revenue from its own HFC network and the content base of its cable-modem service, and to head its push into interactive services.

Describing the arrangement as "unlocking the potential of the C&W Optus broadband network," C&W Optus CEO Chris Anderson says, "Optus@Home will utilize our HFC network, which quite frankly has been undervalued in the operations of this company."

Anderson says this service will provide a fillip to the broadband-Internet environment, using the technology, state-of-the-art network and marketing developed by C&W Optus and the content, applications development, branding and expertise in the broadband market of Excite@Home.

Helping C&W Optus make the moves in this area is its recently appointed director of multimedia, Donna Lachance. She was poached from BellSouth.Net of the U.S., where she was a marketing vice president, and will oversee the launch of Optus@Home, scheduled for later this year.

THE PAY TV PROVIDERS

Leading the digital interactive and Internet field among the pay TV players is Austar United Communications Ltd. The direct-to-home and wireless-cable systems company formed a new broadband subsidiary, Austar United Broadband Pty. Ltd., in August.

Austar is poised to start rolling out interactive TV and Internet services to its 350,000 pay TV subscribers in the fourth quarter of this year, with a full launch set for early 2000 to its potential 2.5 million homes across the country.

Digital-satellite transmissions have been in operation in Australia for three years now, and Austar is already using OpenTV Inc.'s interactive-TV software and has been conducting Internet-over-satellite trails for most of the year with the country's largest Internet service provider, Ozemail.

Driving the project will be Dana Strong, who has been a management consultant in the U.S. She is now managing director of Austar United Broadband with longtime Austar executive Sandra Moore as chief operating officer. Their responsibilities will cover content acquisition and creation, marketing, customer service, technology and the development of revenue streams through advertising and e-commerce.

Austar has raised its per-subscriber revenue to $A52 ($US34) from $A45 ($US30) over the last two years, adding more channels to its pay TV platform. Now the company is aiming to get at least another $A30 ($US19.50) per customer from these Internet and interactive services. Analysts have put a ceiling of $A50 ($US32.50) per subscriber on additional Internet-based services. Austar has promised to be "very aggressive with pricing," says a company source. Austar's sister company in Europe, United Pan-Europe Communications N.V., is offering cable modems effectively free of charge, as it drives use of its chello broadband N.V. high-speed Internet service. Austar has said it plans to introduce chello in Australia and New Zealand, though a specific launch date hasn't been disclosed.

THE NEWSPAPERMEN

While the telcos are trying to get more revenue from their broadband infrastructure and the various networks they own, Australia's newspaper companies want to protect and build revenues from their news and information content. And they see DTT as a means to datacast their content into 6 million Australian homes.

Installing Austar

News Ltd. has budgeted $A40 million ($US26 million) this year to develop its Internet strategy.

John Fairfax Holdings Ltd. and News Ltd. are taking slightly different approaches. Fairfax argues for a broad definition of datacasting services that could include video-on-demand and near-video-on-demand (NVOD), as well as enhanced TV. Executives at both companies contend that datacasting is the new digital highway to every home in Australia, and they want part of the spectrum. They're very involved in the debate concerning how much of the digital terrestrial spectrum will be used for enhanced-TV or data services — and who'll provide them.

Neither company is a stranger to datacasting. Fairfax's family of 12 Web sites, four of which are based in its newspapers' mastheads, collectively garner 1 million page views and 150,000 site visits per day. Revenues generated from advertising and transactions on those sites were around $A10 million ($US6.5 million) in the last financial year.

Fairfax has spent over $A100 million ($US65 million) developing its leading edge Internet products, and News Ltd. has budgeted for $A40 million ($US26 million) this year on developing its Internet strategy which has fallen behind that of Fairfax.

Fairfax interactive business director Nigel Dews says, "We support a light-hand touch to regulation. Datacasters should be able to work across cable, satellite and free-to-air. We are trying to establish a platform where consumers will have freedom of choice."

Dews agrees with William Kennard, chairman of the U.S. Federal Communications Commission, who was quoted as saying that "although high-definition pictures are mesmerizing, I think that it's clear that data is the killer application of digital TV."

Fairfax, with the assistance of TV-transmission and cable company NTL Inc., is working on creating an interactive-television platform that will provide all sorts of options. Users will be able to switch between the free-to-air channels, surf through Fairfax's family of Web sites, tie newspaper stories in with Fairfax journalists' video news feeds, view a Fairfax-branded electronic-program guide, conduct home shopping and banking within the Fairfax application and tap into e-mail over the television.

Despite all that planning, the government is still working through issues of how much spectrum will be made available to datacasters and how they'll make them pay for the spectrum. And how far these new players will be able to be involved won't become clearer until later this month.

John McAlpine, chairman of the Federation of Australian Commercial Television Stations (FACTS), admits that datacasting will be "yet another opportunity for niche information providers." But he says that initially it's likely to be more relevant to PC access than to television. "Most emerging business models for datacasting focus on business-to-business applications and specific subscriber information services," he says.

While the FACTS and its broadcasting members attempt to control publisher inroads into the digital-terrestrial spectrum, News Corp. is doing its best to curb the broadcasters. In addition to its newspaper holdings, it's out to protect the interests of Foxtel as well. News Corp. has pushed the government not to allow the free-to-air networks to use the spectrum for multichannel broadcasting.

More significantly, the company earlier this year created a subsidiary, News Broadcasting Australia, that will be the beachhead for its digital-TV plans. Heading that up is a seasoned News executive who is familiar with the spectrum of television distribution: Jim Blomfield, former chief operating officer of Foxtel and former CEO of Japanese direct-to-home platform Japan Sky Broadcasting (which later became Sky PerfecTV!).

Already Blomfield has worn a path to Canberra, Australia's capitol, to lobby the conservative-leaning government to change cross-media rules that prevent newspaper owners from holding TV stations in the same city. A change in the legislation would help News Corp. in its quest to get its hands on the country's fourth commercial-TV license in 2007.

Another goal in its lobbying efforts is a broad definition of datacasting, the same approach as Fairfax. News Corp. wants the spectrum divided into single-frequency networks, which would effectively allow five datacasting channels alongside an HDTV/standard-TV channel.

News would like one datacasting channel to offer a suite of services it's planning. It's undoubtedly with this in mind that McAlpine says: "A few others seem to be seeking to become de facto television broadcasters via datacasting — a goal which should not be permitted."

But by the time a new commercial broadcaster is allowed on the scene, News Corp. will undoubtedly have put in place all the elements that will make it a full-service digital, interactive, enhanced-TV and data provider. It will have tied up the multichannel business through Foxtel, and either cut a deal with Packer's Nine Network for a joint digital free-to-air service, or it will grab the spectrum and repackage its existing content to run its own fourth commercial network.

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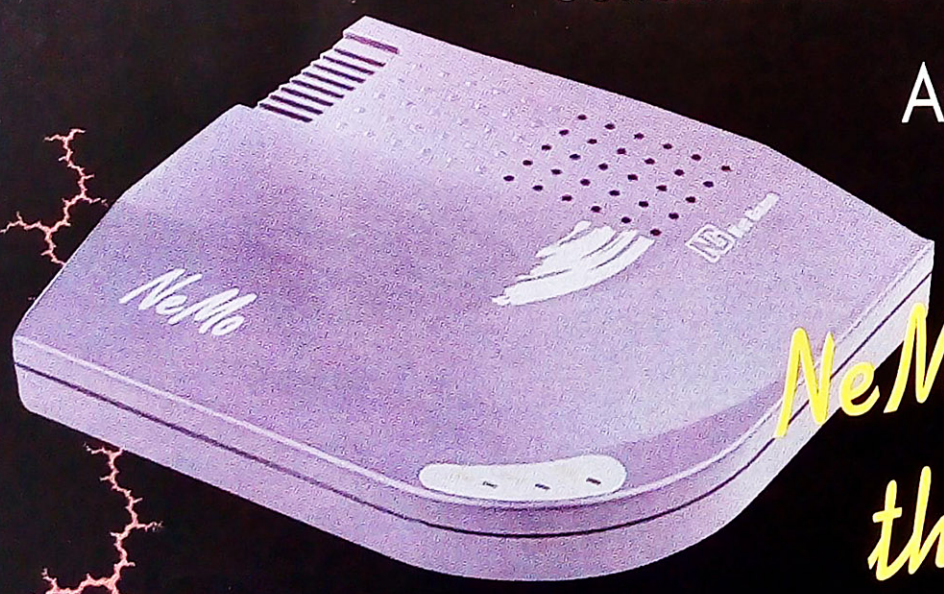

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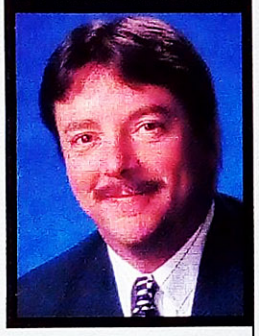
Assessing Access

BY ROGER BROWN



IN SYNC

Cable-system operators around the globe are poised to benefit greatly from a raucous battle for control that's raging in the United States over access to network elements by outside companies such as Internet-service providers (ISPs).

While other locales (Canada and Singapore come to mind) are cooperatively finding ways to provide consumers with a choice of several ISPs when they sign up for high-speed Internet access over cable networks, no such spirit currently exists in the U.S.

Instead, local franchising authorities and consumer advocacy groups are demanding that cable companies be forced to open their networks to any, or all, companies that want access. Without that openness, the argument goes, cable companies could become gatekeepers to the Internet — deciding who should be granted access and who should not. That, in turn, will lead to a "digital divide," where one group has access to all the Internet's bells and whistles, while others do not.

The list of companies that want access is quite daunting. It's led by America Online Inc., the world's largest ISP, which wants carriage on AT&T Corp.'s cable networks so badly it's willing to fight the issue in court. AOL wants to ride on cable networks because it knows that the future of the Internet goes way beyond what it is today. Within a few years, Internet users will use the network to make phone calls, watch TV, play games and perform myriad other transactions. Those applications, of course, will run better over high-bandwidth networks like the ones cable operators own.

The cable companies argue that they're not precluding anyone from Internet access. It's true that the largest U.S. cable operators have exclusive carriage contracts with either Excite@Home or Road Runner — not AOL. But the cable companies are the ones who risked their own money and funded @Home and Road Runner back when the Internet was just emerging as a communications medium. And because cable networks aren't government funded, why should they be government controlled, the argument continues.

Outside of the complex and emotionally charged public policy issues that surround open access, however, there are difficult technical issues as well. To grant access to multiple ISPs, cable-data networks require some sort of bandwidth manager, essentially a "referee" that controls how much bandwidth is allocated to various hosts.

But solutions are coming, and will soon be made available to cable operators and ISPs the world over, leaving cable operators free to strike deals with numerous service providers on favorable business terms. As the popularity of the Internet grows around the world, cable operators will ultimately benefit by having the freedom to ally themselves with several Internet partners.

From a business perspective, it makes sense. From an access perspective, it's only fair. From the consumer's perspective, it's about time.

CableEuropa Heads a Spanish Cable Conquest

BY CRAIG KUHL

When CableEuropa first received its license in 1997 to build a telecommunications system in Valencia, Spain, little did it know the logistical and technical challenges 10 additional franchises throughout the country would present.

Building a $US2 billion advanced telecommunications system from the ground up, covering 17 cities and passing 4.2 million homes is tough enough. But when the use of local construction companies and workers are added to the mix — not to mention complex, integrated technologies and equipment — maintaining a smooth operation becomes nearly impossible.

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CableEuropa builds out ONO's system.

A Latino Digital Debate

DVB and NTSC Take Standards Issues South

BY HANK HOGAN

There's a battle for supremacy occurring in Latin America over digital-television delivery standards, and although the first salvo has already been fired, the duel is far from over.

The combatants are Digital Video Broadcasting (DVB) and Advanced Television Systems Committee (ATSC), the two leading standards that have been developed for digital-TV transmission. At the end of August, Brazil began testing both formats for digital television. This technical evaluation will run through the end of this year, under the direction of the Brazilian Association of Radio and Television Broadcasters (ABERT) and the Brazilian Society of Television Engineering (SET). It starts with laboratory trials and concludes with reception testing. A specially equipped truck is carrying out the trial at 200 points throughout São Paulo.

The first standard candidate is Europe's DVB, which has been deployed in a reported 300,000-plus homes in the United Kingdom. The second is the United States' ATSC, whose deployment is generally considered much smaller. The winner of this technical evaluation will be implemented in Brazil, Latin America's biggest TV market.

Theoretically, the winner could do even better than that, as speculation mounts that the entire continent is leaning toward DVB.

"We think that it's very important to have only one standard in the continent, if it's possible," states Juan Carlos Guidobono, corporate manager in visual and audio technologies for Argentine media conglomerate Grupo Clarín.

DVB advocates push their cause in Latin American trade publications

The only barrier to this idea of continental harmony is that Argentina has already officially settled on the ATSC standard. But even that decision appears less

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Spain,

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Yet CableEuropa and its branded cable company, ONO, which is managed by Denver, Colo.-based Callahan & Associates, expects to build out 35 percent to 50 percent of its major cities, and 100 percent of its smaller cities by the end of next year. It's constructing networks in 17 cities simultaneously, according to Pedro Pinar, network director of CableEuropa, the first operator in Spain to provide telephony and Internet on the same network.

"At first, we were very aware that our plant would get bigger, but not by this much," Pinar says. "The biggest challenge is to launch construction in several places at the same time, so we divided Spain into three clusters totaling 11 operations." CableEuropa, he adds, is expected to provide service to 3 million subscribers by 2003, with the cost of each home passed estimated at $US625.

As a result, coordinating the massive project, which CableEurope dubs the world's largest telecommunications build, is proving to be a task of unprecedented proportion, especially amid the deregulation of Spain's telecommunications market.

Under Spanish law, only domestic companies may bid on the telecommuncations construction projects. Because of that, CableEuropa, an international business venture including several partners, was incorporated there, with Valencia as its first project.

From the very beginning, its top priority has been to use local construction companies and contractors, Pinar says, reflecting a major strategic shift from the company's use of in-house construction crews in Callahan & Associates' previous system builds in the U.K.

"We decided not to repeat our England experience," Pinar says. "We wanted to focus on talent we had in advanced integrated services and broadband networks, and use a construction and management-specialized company like CH2MHill to manage the overall project."

CH2MHill, involved mainly in industrial and public-works projects, seemed an unlikely choice. But with its strong background in project management and infrastructure work, its new telecommunications division was chosen to manage CableEuropa's project in Spain.

"We saw an opportunity in Spain and had to bid on each network individually, with the promise of serving 80 percent of the homes in two years and delivering telephony, cable and Internet services — all underground, save for a few exceptions. It's a huge challenge to design around those issues," says Keoki Sears, senior project manager for CH2MHill's Communications Group.

The systems are being built to 860 megahertz, with analog headends. Digital headends are planned, though, Sears says. Fiber-to-the-curb for business users, and separate architectures for corporate office parks are under construction, as well. Sears admits, however, that CableEuropa won't reach its goal of serving 350,000 Valencia homes by year-end 1999. "But we'll be close. It's very difficult, but the Telecommunications Ministry is happy with what we're doing thus far," he says.

Pinar points to local politics as one of the main culprits for the delay. "Because of elections, licenses haven't been issued in some cities, and we decided that citizens didn't want to be bothered with construction during election time. But [the elections occur] only every four years, and we expected these delays and budgeted for them," he says.

Because CableEuropa is essentially a start-up, molding a cohesive unit of contractors and construction personnel from a wide range of industries has been a daunting task. "As a group, it's been a huge challenge unless we worked to-

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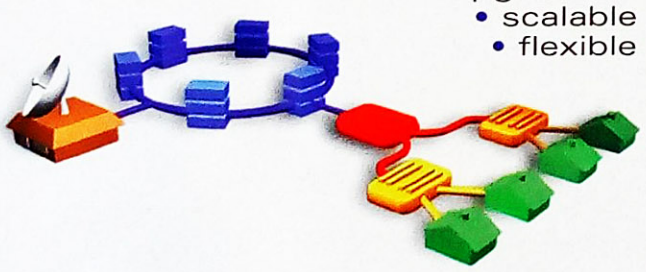

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By Richard Smith

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Richard Smith is the Chief Executive Officer of Telcordia Technologies, Inc.

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Spain,

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gether, and it's created some interesting problems," Sears says.

Ironically, the biggest problem is communication. "All the design functions and equipment were centralized in Madrid, which made [the Valencia system build] a pain. But having it centralized also made the system very uniform, and we have given a certain amount of autonomy for design changes at the local level," he adds.

The difficulty, Sears says, was in communicating myriad changes at field-site designs back to headquarters. "The problem was setting up a high-tech system to process and reincorporate changes in the construction phase, and get them back to the central office. Every little change the contractor made had to be entered because any redesign could affect the whole network. It had to be right, and it was a huge problem."

CableEuropa and CH2MHill named Alcatel Alsthom S.A., a French/Swedish telecommunications company, as the provider of equipment such as fiber, amplifiers, cable modems and headend equipment. By mid-2000, however, that strategy will change. Notes Pinar: "We will open [up to] new sources and will have enough experience and materials to deal with several different suppliers, and will be able to do other things like logistics and procurement on our own."

As managing consultant, CH2MHill is involved in nearly every aspect of CableEuropa's system builds in Spain. Its duties include fundamental planning, field verification and land acquisition, inspecting the networks' paths. It also has to work with general contractors in construction and management projects while ensuring the quality of work.

"Our whole initiative is to build a system end-to-end and streamline the operations and maintenance during the life of the network," Sears says. The company is also documenting every phase of the build. "We are trying to capture information in the field with high accuracy and create databases for the future to make the system easy to monitor and operate. Communicating this information back to Madrid is very important," he added.

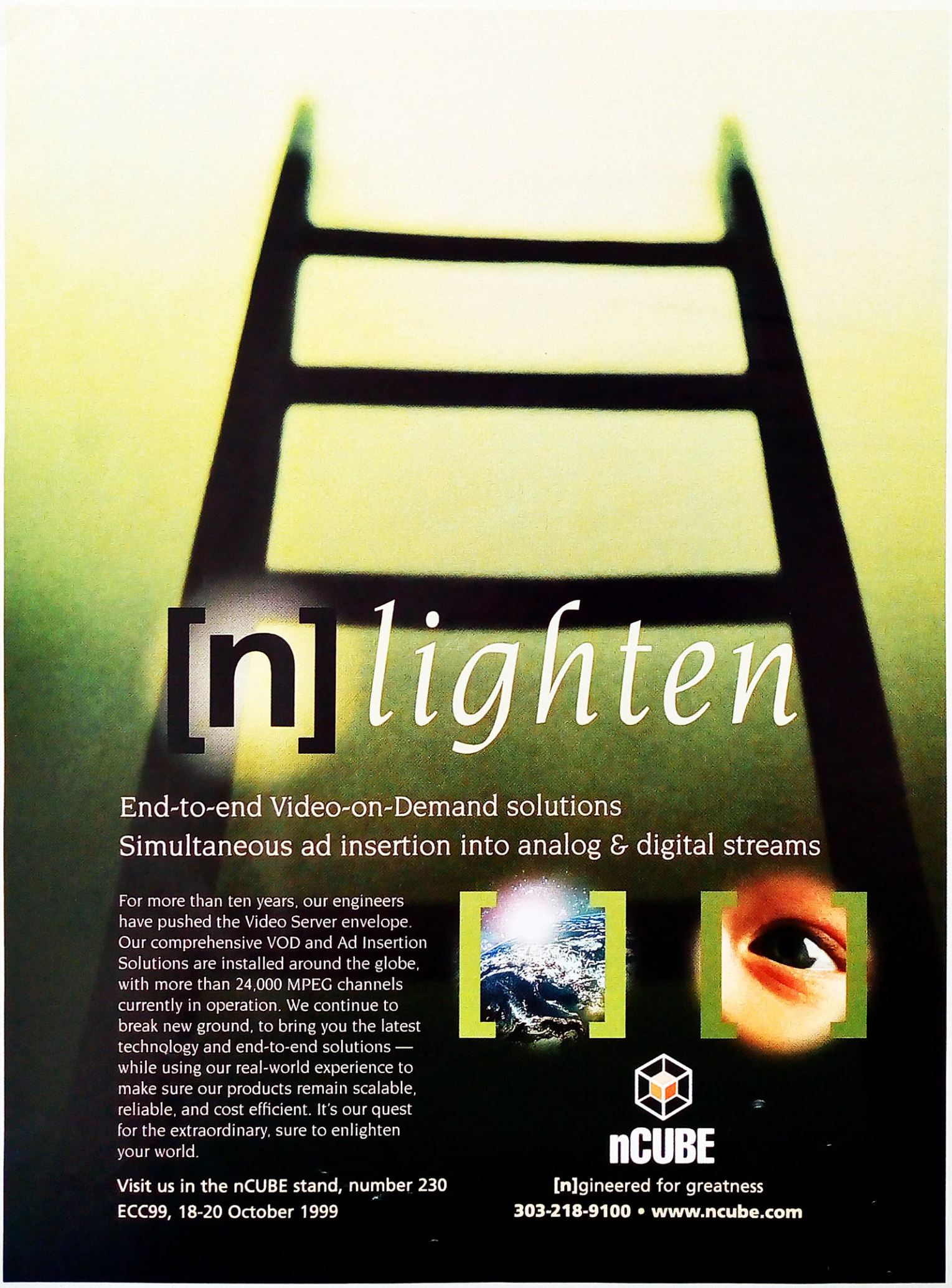
> *"We were very aware that our plant would get bigger, but not by this much."*
>
> *— Pedro Pinar, network director, CableEuropa*

Pinar concurs. "We are using Small World Systems [software] for mapping and gathering geographical data. It's a very powerful tool to use for market research and to manage the technology and commercial information," he says.

CableEuropa's hybrid fiber-coax (HFC) systems are designed to deliver analog TV, pay-per-view services, telephony and data services. In the future, voice-over-IP could come into the mix. ONO is currently rolling out Cisco Systems Inc. cable modems in Valencia following a successful trial this past June, Sears says.

Yet CableEuropa's strategy, Pinar says, is not to overwhelm itself, or its customers, with snazzy new technologies, but simply to meet their current needs. "Our approach, instead of looking for state-of-the-art technology, is a no-risk approach for our customers," he explains.

That approach, Pinar adds, will remain its strategy as CableEuropa continues its frenetic build. "Our licenses include building systems in 34 cities by year's end, and they will include TV, data, voice and Internet," he says. "And, we're studying opportunities in other areas. We're not staying quiet." ■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BROADBAND INTERNATIONAL

Manufacturers Mull a Brazilian Lure

BY HANK HOGAN

Recently, a Brazilian bank put the word out that it had money to lend — but only to the right people.

The state-owned National Economic and Social Development Bank, known as BNDES, is looking to entice international cable- and satellite-equipment manufacturers to build facilities in Brazil. Out of a total annual budget of 20 billion reals ($US11.8 billion), BNDES reportedly wants to lend $US400 million over the next two or three years for this purpose.

The aim is to jump-start the local manufacture of cables, decoders, nodes, taps, cable modems, and other equipment used in subscription television.

But will waving money at manufacturers make that much of a difference? Two major suppliers to the pay industry have differing views.

"In general, it could," says Barbara Birnbaum, manager of worldwide digital-business development for Thomson Multimedia S.A. The company's United States business unit is based in Indianapolis, Ind. Under various brand names and through different agreements, Thomson produces receivers for direct-to-home satellite services as well as cable modems.

Thomson is already investing in local Brazilian manufacturing. This year, the company built a new plant in Manaus, Brazil with a single manufacturing line for satellite decoders. Typically, says Birnbaum, such a line produces 250,000 units a year. Although the plant only began production earlier this summer, Birnbaum says there are already discussions about expanding it.

The Manaus project was started before any mention of BNDES efforts to encourage local manufacturing. So in this case, the prospect of local money didn't play a part in the decision. However, the same can't be said for local demand.

"We had a growing business through our association with Galaxy Latin America," the Hughes Electronics Co. and Cisneros Group of Cos.-backed direct-to-home platform, remarks Birnbaum.

Thomson had been supplying the Brazilian market out of plants in Mexico. These same facilities also produced equipment for the United States. A booming U.S. economy, along with DTH growth in Brazil, combined to create more demand than the Mexican factories could supply. Thomson did, however, have other reasons for building the plant than just to churn out decoders.

"Latin America is what we consider a growing area not just for satellite products, but for other digital products such as DVD or cable modems, and so on. It really became necessary to find a partnership or build a plant so that we could do other business as well," explains Birnbaum.

In the end, Thomson opted to build a new facility to supply the expanding Brazilian market. As for exporting from Brazil to other countries in Latin America, Birnbaum notes there are tariffs and duties to consider. Other factors involve transportation costs and the ease of movement into and out of the country. Consequently, Brazil's proximity to other South American markets doesn't ensure

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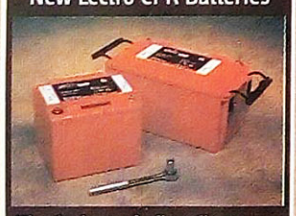

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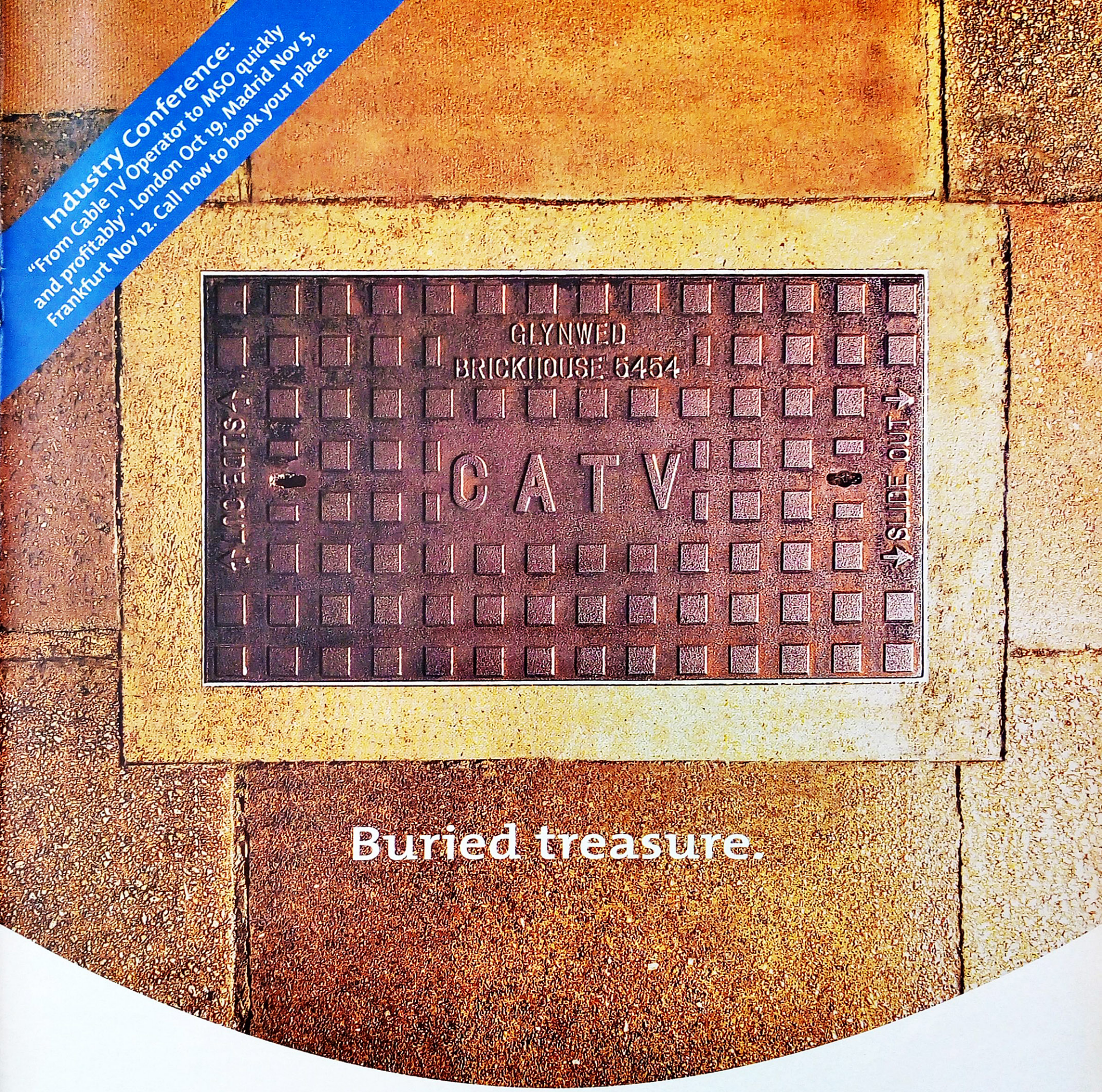

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Brazil,

Continued from Page 40

the Brazilian factory is always cheaper than alternatives. That affects future expansion decisions.

"Building in Mexico and exporting to Argentina is cheaper than building in Brazil and exporting to Argentina. We'd like it to be equal to or better than, at which point we'd consider additional manufacturing in Brazil," says Birnbaum.

On the other hand, U.S.-based General Instrument Corp.(GI) isn't building a factory in Brazil and has no announced plans to do so. According to Alvaro Pacheco Jr., regional director for GI Brazil, the company concentrates on the cable and MMDS, or wireless-cable, markets. It does not participate in the consumer side of the Brazilian satellite business.

Rio de Janerio. Brazil hopes to lure equipment makers in addition to tourists.

Unlike Thomson, GI isn't experiencing a boom in Brazil. Instead, the market is little changed from where it was in 1997. This isn't because GI has stumbled and other companies are dominating. From his in-country vantage point, Pacheco says that GI is winning its share of the what business there is to be won. By his estimates, there just isn't much of a market, and Pacheco isn't sure that it will ever regain its former sales figures. That's because there's a fundamental difference between now and two years ago, notes Pacheco.

"At that point, the biggest Brazilian cities, which are quite densely populated with 3, 5, 7, 10 million people, were being built. And all that is left now are cities with 1 million, or a half-million people," he explains.

To be sure, Pacheco expects the local market to expand. Only 2.5 million of the 37 million households in Brazil are currently using any form of pay TV. So there's plenty of room to grow.

Indeed, Pacheco notes there are projections for 100 percent growth in year 2000, and believes such expansion will occur. Given how much the market shrank over the last few years, that's not saying much. However, after several years of growth the market could be quite substantial again.

Pacheco also understands why the Brazilian government would want to stimulate local manufacturing. Doing so cuts the trade deficit, especially if locally manufactured goods can eventually be exported. As a further aide to that, Pacheco remarks that the Brazilian government has sped up the awarding of new pay TV franchise licenses. He also acknowledges that a loan from BNDES would play a part in any decision about a new factory.

In the end, however, what may induce a company like GI to build in Brazil won't have much to do with government loans. Instead, it will be for reasons similar to the ones that led Thomson to its decision. Once again, it will have a lot to do with the country's own internal market. That's because of the highly efficient manufacturing model adopted by such companies.

As Pachco says, "We maintain very few factories to service worldwide markets. We only establish a facility either by a clear market opportunity or because of import restrictions." ■

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Latino Debate,
Continued from Page 35
than rock solid, based on a late July announcement from DVB headquarters in Geneva, Switzerland, that suggested Argentina may be rethinking its decision. However, since then, DVB officials have carefully modified that initial impression.

"There is no change in the Argentine position regarding ATSC, just a reassessment of some of the factors used in making that decision. Now, what that would lead to is open to interpretation," says Peter MacAvock, head of the DVB project office.

As might be expected, MacAvock is confident that DVB will ultimately prevail in Brazil. He bases this on the technical merits of the format. He also notes that in past evaluations, DVB has come out on top. As proof, he cites the choice of DVB by both Australia and Singapore.

Robert Graves, chairman of the ATSC, acknowledges that Brazilian officials worry that ATSC will not provide complete coverage of cities such as São Paulo. However, like MacAvock, Graves is confident about the technical superiority of the ATSC solution. He says the ATSC standard has more raw-coverage power and can get more bits through a given amount of bandwidth.

Additionally, he says, ATSC may have a secret weapon: sports and football-loving fans. In the United States, broadcast network ABC is going with live American football broadcasts in prime time as a way to entice viewers to high definition television (HDTV). In Brazil, an equivalent passion exists for soccer, the game everyone in the world outside of the U.S. calls football.

Graves points out that many in Brazil are reluctant to use a 6 megahertz (MHz) version of what is otherwise a 7 MHz or 8 MHz DVB system. To even run the tests of DVB terrestrial (DVB-T) broadcasting in Brazil requires the deployment of new equipment and a new implementation of the format.

MacAvock counters that fitting the signal into the smaller amount of bandwidth only required a few weeks of tweaking. All that was needed was a change in chip clocking and some new software. Proving that DVB will work in the smaller bandwidth is vital, given that 6 MHz signals are prevalent throughout the Americas.

However, it maybe too late to change the situation in Argentina. According to Guidobono, there are already 10 hours of ATSC format television broadcast in Argentina daily. These transmissions are received, he says, without problems.

Guidobono points out that the television markets in Argentina and Brazil are quite different. Argentina has less than 50 television stations, with a cable penetration rate of 60 to 70 percent. Many of the largest cities are situated on the plains, and that, together with the successful ongoing ATSC broadcasts, leads Guidobono to believe that implementing ATSC will not be a problem.

Brazil, he notes, is a completely different situation. There are 1,500 television stations; cable penetration is low; and many cities are surrounded by mountains or other features that can interfere with transmissions.

In the end, the desire for a single standard throughout Latin America may not be the deciding factor. Brazil and Argentina may just agree to disagree, as they do now. Argentina currently runs a version of Europe's PAL analog signal, PAL-N. Brazil runs its own variant, PAL-M. At the border of the two countries, Argentine consumers have televisions that handle both. On top of that, some Argentine television applications are in PAL-N, while some are in the North American standard NTSC. ■

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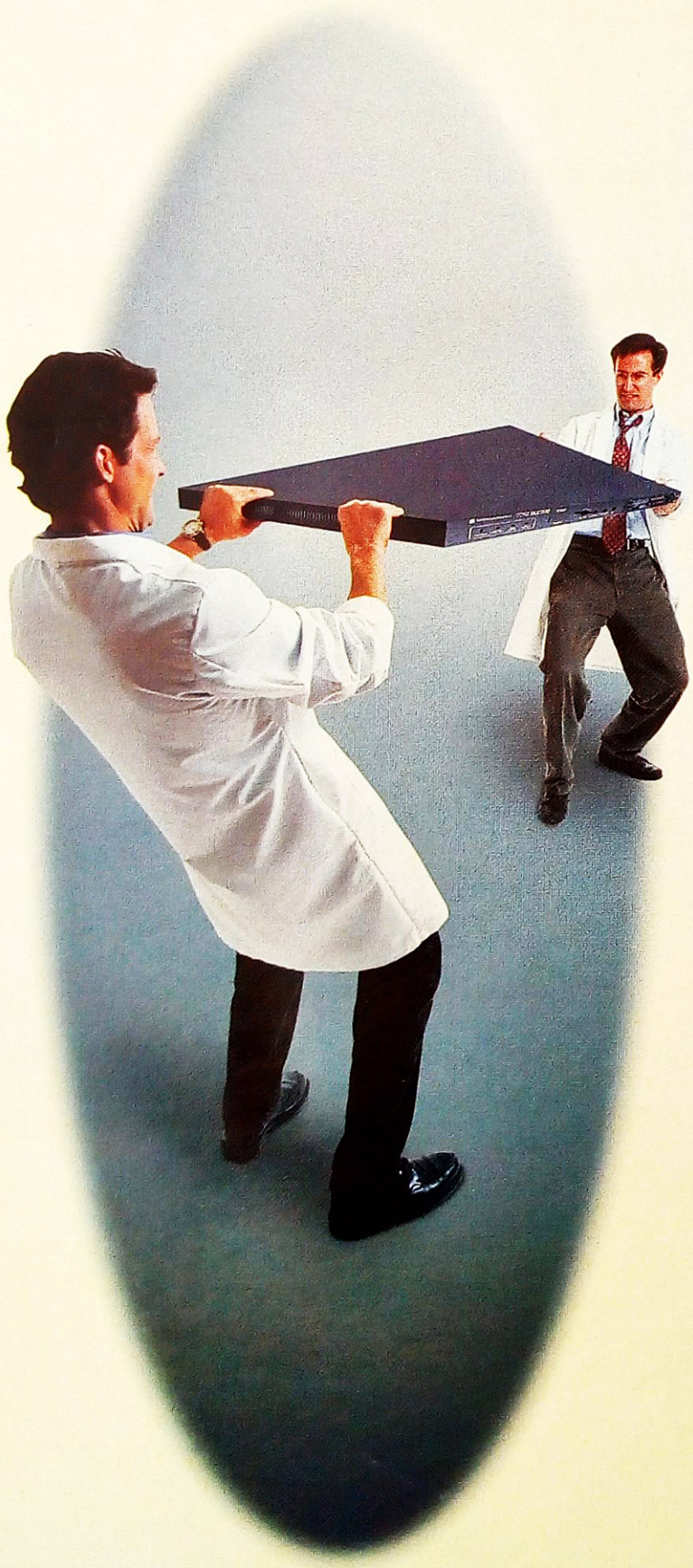

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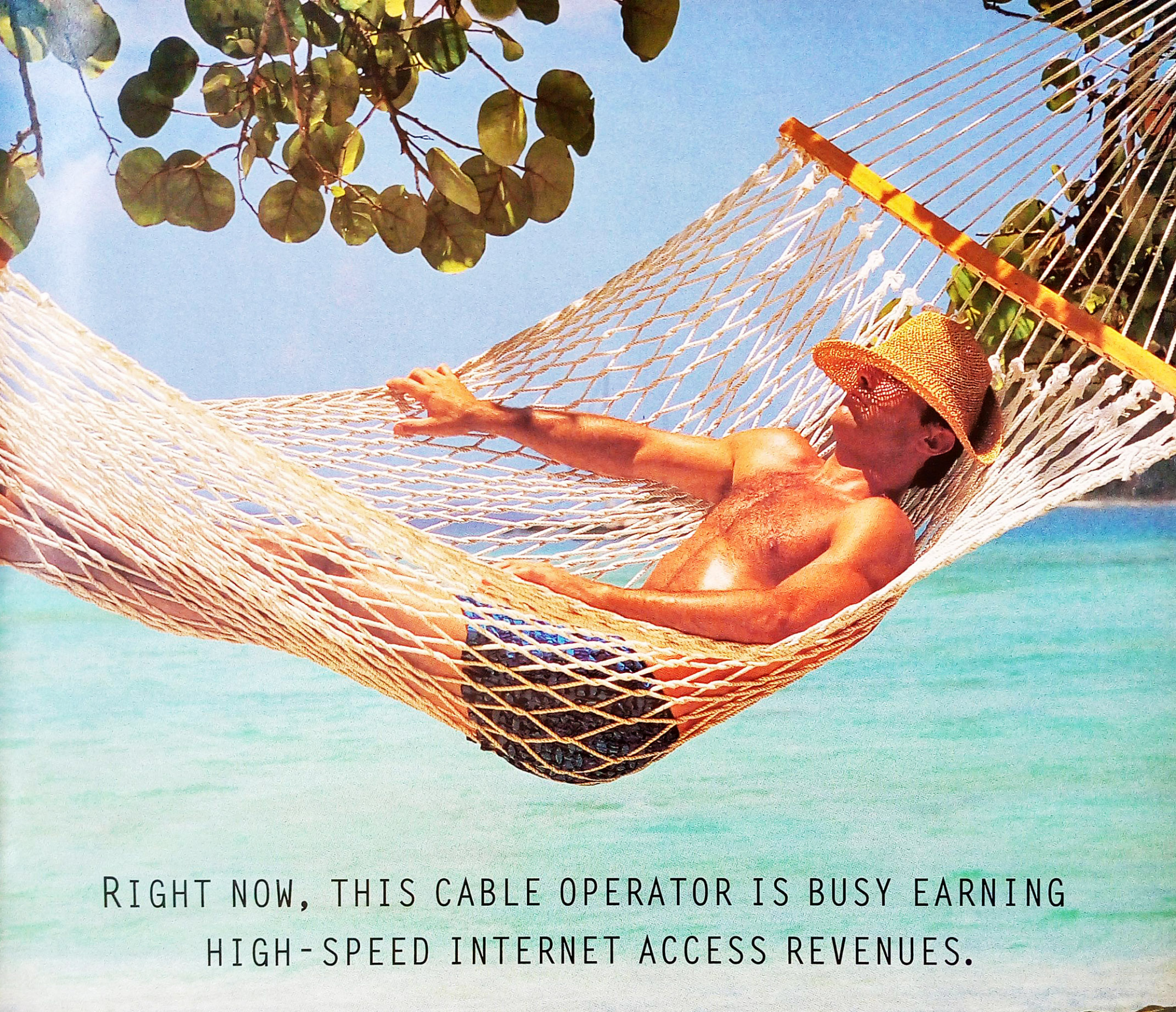

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Motorola Takes Chinese Staff Back to School

Training Program Brings U.S. Management Concepts to a Huge Market

BY CRAIG KUHL

For years, world-class cable and manufacturing companies have ached to carve out a business in China. Yet few have maintained the staying power, patience and cultural flexibility for the world's most populous country to make a significant impact on their bottom lines.

For companies aiming to do business in China for the long haul, training locals in the fine art of open-market economics, while respecting Chinese sensibilities, is crucial. But it's also no walk in the park.

Some companies are getting the message that looking and acting local counts. Big time. A classic case in point is Motorola Inc. and its China Accelerated Management Program, or CAMP.

The management-training program, which began in 1994 and has graduated more than 150 Chinese mid- to high-level Motorola executives, covers a wide range of economic strategies and courses, all designed to teach Motorola's hand-picked Chinese employees the nuances of business management and acumen.

As successful as CAMP has been, however, it's had its share of challenges, especially when one considers the vast differences between U.S. and Chinese cultures and economic principles. "We've seen incredible growth here — from 400 to 10,000 employees — and have attained a large market share for our products," says Lois Webster, director of Motorola University for Northern Asia. "But the [mindset] is from planned economic growth, not market-economy growth. Things like P&L [profit and loss statements], advertising, selling and marketing are all challenges."

Motorola's 10,000 employees in China work in a wide range of segments. The line of locally manufactured products includes cellular and Iridium phones, pagers, semiconductors, smart cards, as well as equipment and components for the cable industry.

Before CAMP, Motorola imported U.S.-trained managers, a strategy that was quickly changed,

A recent CAMP graduating class

however. "It was very expensive to bring in U.S. managers, and they weren't used to managing in this environment, which is entirely different," says Webster. "That's when the management board of China recognized this as a cultural issue, and CAMP began."

CAMP uses a rigorous selection process, and incorporates all of Motorola's corporate disciplines, ranging from manufacturing and finance, to sales and marketing. The program requires 10 months of instruction, which includes on-the-job training, during which each CAMP student is shadowed by a personal coach.

Students are then "rotated" to other Motorola sites around the world. Adds Webster: "We found that people in China have lots of relationship skills, but they're not strong in strategy development, market economies and P&L."

The result, she explains, is a CAMP curriculum that includes four areas: training, coaching, business simulation and rotational assignments. "We now have lots of CAMP students in middle management," she says.

For Motorola's Chinese executives, CAMP's "action-learning process" is a key component to the management-training process. "We designed that concept to include a 'reflection' stage and an 'action' stage," says Robert Xiao, manager of strategic management for Motorola University in China. "We formulate real projects from classes like product management and leadership, then put students into a 'reflection' stage to reflect on what they've learned."

Former CAMP coaches such as Grant Zhou have learned that good local employees translate into good business. "Motorola is the first to realize the value in training, and it's considered a top-level company in China, so we have to perform at that level. And that takes training and management skills. The Chinese environment is changing, and CAMP is changing with it," he says. In addition to his duties as a camp coach, Zhou is director of Chinese operations for Motorola.

Moving to the firm's international sites and observing different customs and business practices is also a key component of CAMP. "We've learned a lot about management and leadership through overseas managers. It's a great

Continued on Page 50

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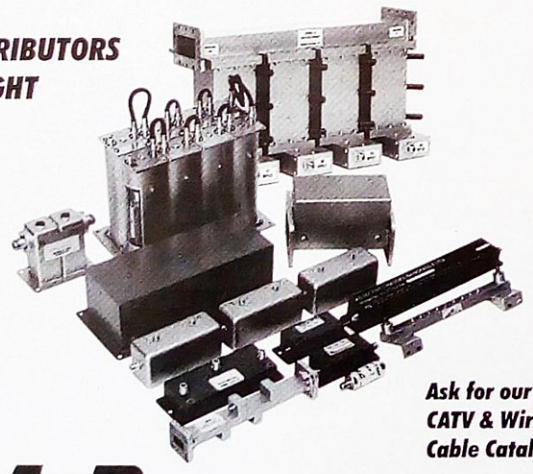

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Around The World

LATIN AMERICA

Horizon do Brasil has selected Antec Corp. as its primary supplier for the first phase of its 7,000 km, three-year new-build project. This phase includes a 1,700-km network that serves 15 cities throughout Brazil. The deal is valued at approximately $US15 million.

Horizon will use Antec's Total System Power Supply throughout the 870 MHz, two-way network. They system will also include Regal taps, splitters, connectors, cables and drop materials from TeleWire Supply, Antec's distribution channel.

EUROPE

Cisco Systems Inc. said it will acquire privately held Cocom A/S of Copenhagen, Denmark.

Cocom is a developer of high-speed Internet-access solutions over cable, satellite and wireless networks based on international standards. The acquisition gives Cisco access to products that support the Digital Video Broadcasting (DVB) standard. Cocom's product portfolio includes headend-transmission and customer-premise equipment.

Cisco common stock worth $US65.6 million will be exchanged for all outstanding shares and warrants of Cocom. The acquisition is expected to close in the first quarter of Cisco's fiscal year 2000.

Cocom's 66 employees will remain in Copenhagen and will become part of the Cable Products and Solutions group within Cisco's Service Provider line of business.

Spanish cable operator Retecal will purchase more than 2,000 Com21 Inc. ComUnity Access System cable modems and 26 Com21 headends for deployment in northern Spain this year.

The wide-scale rollout will cover nine major cities, including Valladolid, León, Burgos and Salamanca. In addition to high-speed Internet services, Retecal plans to offer telephone services via its cable modems once the operator can legally provide the service. With 10 Com21 headends already installed, Retecal has nearly 500 data customers and plans on installing 29 Com21 headends by the end of 1999.

ASIA

Taiwan-based Hoshin Gigamedia Center Inc. (Gigamedia) will deploy high-speed Internet access service throughout Taiwan via General Instrument Corp.'s DOCSIS-based, high-speed external cable modems.

GI's SURFboard SB2100D and SB3100D modems will be launched in October 1999 to provide Gigamedia's 3.4 million subscribers with access to the Giga Super Network's online services.

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*According to a November 20, 1998 report by RHK (Ryan, Hankin, Kent, Inc.) of South San Francisco, CA, USA.

New Products

Broadband couplers

E-TEK Dynamics has announced its single-mode broadband coupler, a single window device that splits or combines light over a wide +/-40 nm bandwidth. By using a proprietary packaging technique and relying on an automated manufacturing process, the coupler features low insertion loss and high port-to-port uniformity. The SWBC is qualified to Bellcore standards for reliability. The strong fusion coupler is suited for erbium-doped fiber amplifiers, cable TV fiber optic links and applications requiring power distribution.

E-TEK Dynamics
1865 Lundy Ave.
San Jose, Calif. 95131 USA
Tel: (1) 408-546-5000
Fax: (1) 408-546-5505
Web site: www.e-tek.com

Spectrum analyzer

Morrow Technologies Corp. has introduced its P9116 Spectrum Analyzer System, which can perform remote monitoring of transmit or receive sites that are located outside the main facility. The analyzer covers the frequency range of 100 kHz to 1600 MHz and is packaged in a rugged industrial chassis that includes a power supply, Pentium controller, modem and various serial and parallel communications ports. When used in conjunction with a VGA monitor and the supplied graphical user interface, users can operate the unit as they would any other conventional RF spectrum analyzer. When used in a remote monitoring application, the field-located analyzer acts in a server mode and can be accessed and controlled from any client-designated PC or laptop via RS-232, T-1 line or the Internet.

Morrow Technologies Corp.
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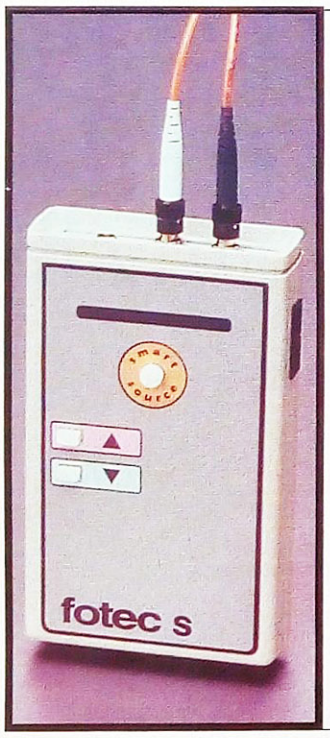
Largo, Fla. 33771 USA
Tel: (1) 727-531-4000
Fax: (1) 727-531-3531



Fiber optic test source

Fotec has introduced a new LED fiber optic test source that offers dual simultaneous outputs designed for faster loss testing of duplex multimode fiber optic links, especially those using duplex connectors like the new small, form factor connectors, the MT-RJ, Volition or Fiber-Jack. The Fotec FS370 Smart Source has two LEDs, at 850 and 1300 nm. The outputs are coupled into two fiber outputs that simultaneously have the same calibrated power level for testing. If the source is set to 850 nm, both outputs will be 850 nm, and when it's changed to 1300 nm, both outputs will be 1300 nm. The unit can be used with the Fotec FM310 Smart Meter in the SmarTest mode, which automatically reads both loss and wavelength on both fibers attached to the source.

Fotec
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Medford, Mass. 02155-4615 USA
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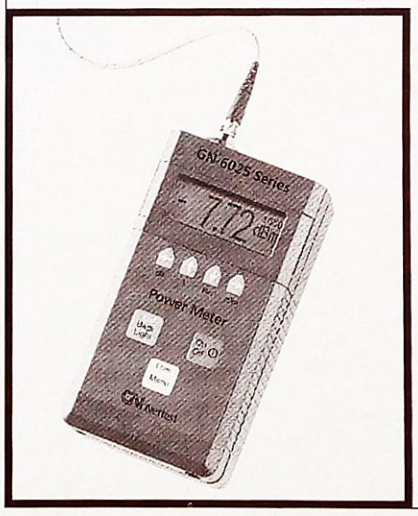
Web site: www.fotec.com

Fiber optic power meters

GN Nettest has announced the availability of two new CE-compliant fiber optic power meters, the GN-6025 and the GN-6025C. Both meters offer reliable InGaAs detectors for linear responses at longer wavelengths. Both units have data storage capability and come with LP View, a Windows-based software package for data storage, viewing and printing. Both units are also supplied with a connector adapter, AC charger, soft transit case, and an operating manual. Units may be powered by AC power, rechargeable NiCd batteries or replaceable alkaline batteries.

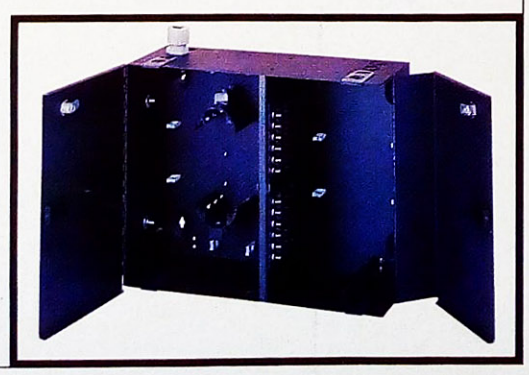


GN Nettest
Fiber Optic Division
109 N. Genesee St.
Utica, N.Y. 13502 USA
Tel: (1) 315-797-4449

Web site: www.gnlp.com

Wall-mount enclosure

FONS Corp. has introduced its new LX-1048-PD wall-mount enclosure. Designed to conserve wall space, the LX-1048 accommodates 48 fibers in an enclosure that measures only 17.25 x 14 x 7 inches. The rugged 16 AWG steel wall unit holds up to eight modular adapter panels, housing any industry standard adapter type. The unit supports either direct termination or splicing applications and comes equipped with cable management modules and routing accessories to limit bend radius, add strain relief control and maximize flexibility of cable entry. For splicing operations, the cable management modules can be replaced with splice tray holders and up to four, 12-fiber splice trays.



FONS Corp.
71 Lyman St.
Northboro, Mass 01532 USA
Tel: (1) 508-393-4268
Fax: (1) 508-393-3657
Web site: www.fons.com

Field service kit

Jensen Tools has introduced its new VK-8WW Deluxe Field Service Kit. The new, wheeled kit contains 104 tools in all, including screwdrivers, soldering tools, pliers, a socket set, and a tool case with pallets. The case is constructed of lightweight polyethylene material and features two locking latches, a combination lock, a padded steel core handle, an aluminum valance, a retractable 39-inch tote handle, and two solid, bearing-driven, axle-mounted wheels.

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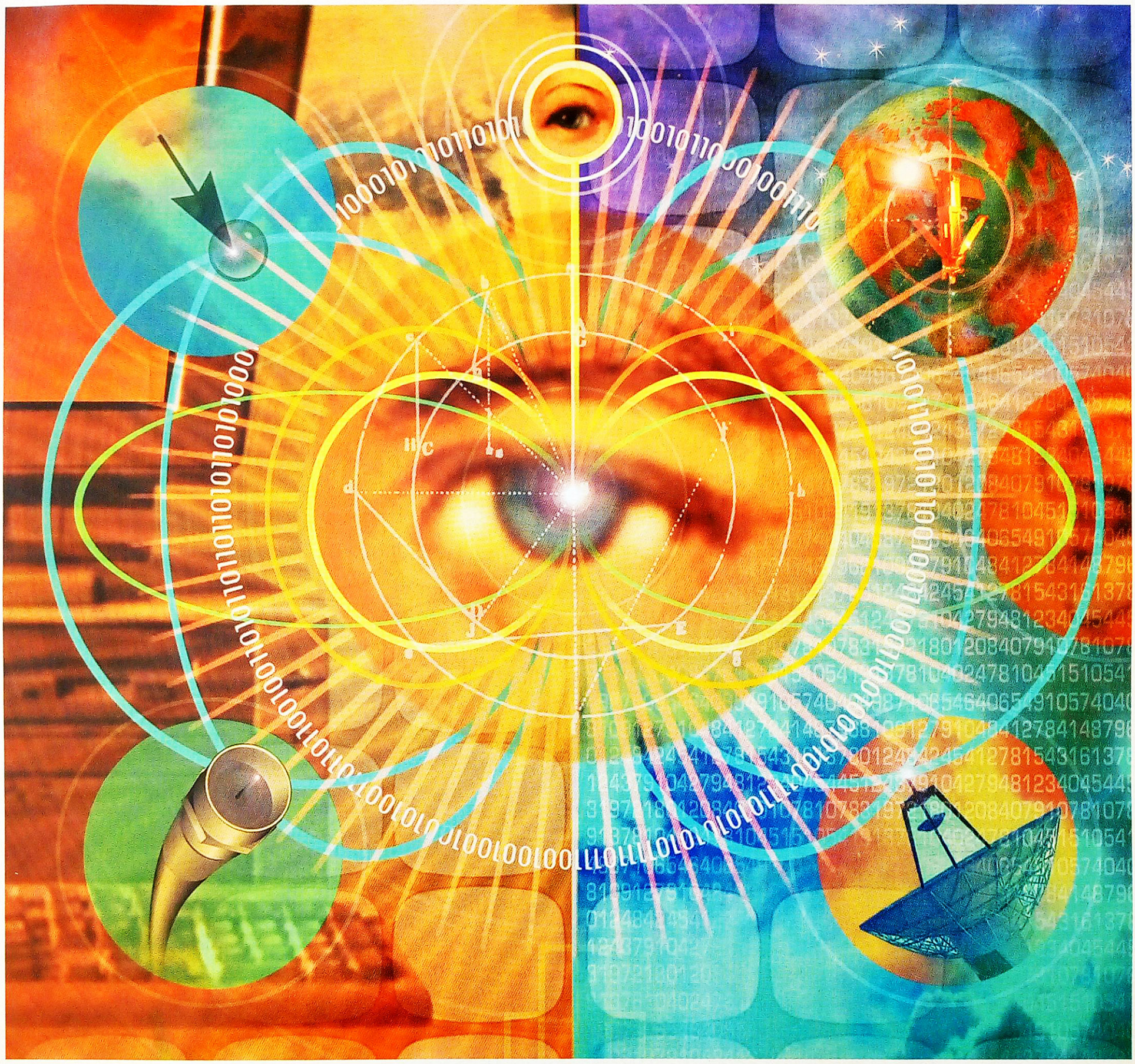

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HotSpots

SuperCable,
Continued from Page 10

market. Such times make necessity the mother of invention. As SuperCable president, Ahmad Khamsi, points out, "When you're in an economic recession you have to be creative. So far we've been reasonably successful, but we're still creating a big bag of tricks."

SuperCable's efforts win applause from the managing director of the New York-based Multichannel Advertising Bureau International (MAB), Connie Pettit. "Brilliant," she says of the boarding-pass promotion. "It's successful because it rewards advertisers for investing in you." She adds that, surprising as it may sound, such a promotion might be common in the United States, but to date has hardly been seen internationally.

Pettit knows about SuperCable's marketing savvy after having worked there as an advertising consultant four years ago. Back then, the company was marketing itself aggressively to the extent of setting up shop in condominiums to directly sign up subscribers from the local community.

For now, SuperCable is looking toward its big pre-sales ad effort for next year. It'll be tricky pitching rates high enough to attract good budgets, but low enough not to scare off Venezuela's cost-conscious advertisers. But when the time comes, SuperCable will surely look once more to its bag of tricks for inspiration.

Conrad Dahlson contributed to this article.

SuperCable's Caracas headquarters

CAMP,
Continued from Page 46

opportunity to learn local-leader management and compare customs of the East and West," says Derek Li, a recent CAMP graduate.

It also allows CAMP students to develop good business ties with local customers. Says Zhou: "Most people here are graduates with engineering backgrounds, but don't have good administrative and marketing skills. CAMP has really helped us there. Our customers have stayed with us because we know them, and it has helped us recruit local people."

Keeping CAMP current, and local, in new management strategies and courses is critical to its success, according to Ken Lu, Motorola' regional manager for North Asia. "There's a first level of advisers for management and 'real-world' skills, but we need something 'post-CAMP' to continue improvement, like an equivalent to a U.S. MBA program," he admits.

That may be near. CAMP is being split into two separate programs, Xiao says. One includes an essential CAMP, which uses traditional skills and concepts. The other is an advanced CAMP, which covers current business concepts for company leaders. "We're trying to use more coaching, mentoring and teaching of business models, with a bigger picture of the global economy. We want a clear, attractive path for talented people to move quicker to management level," Xiao explains.

The result, Webster says, is Motorola's "leadership-supply system," which will house CAMP and its newly conceived executive program in China.

"The system will define the next generation of Motorola's Chinese leaders, and CAMP will be interlocked into first, middle and advanced levels. China is changing fast, so CAMP is reaching a stage where it will be integrated into our overall business strategy, but with the same focus and funding," Xiao notes.

Just how the Chinese government in Beijing views CAMP and Motorola's market-economy teachings is vital to the program as well, Webster says. So far, the response has been positive. "We have trained our government partners on good business principles, supplier management, strategic development, and why we make certain business decisions. The result has been an eager desire by China's government to learn these principles," Xiao adds. "It's a huge shift for them, but it is strengthening their entire telecommunications industry, which is being totally restructured. They're very capable people."

Capable, and marketable people — that is an ongoing concern for Webster and Motorola, and presents a challenge to keep at the company and get a return on the investment. "These executives are valuable to other multinational companies, and no doubt we've lost CAMP graduates. At first, each graduate cost $US50,000 [to train], now it's $US20,000," Webster says.

Yet Motorola and CAMP, Xiao insists, are trying to formulate a "Motorola culture" which transcends borders and cultures. "Yes, there are differences" between U.S. and Chinese business policies and cultures, she notes. "But the Chinese are curious as to how Motorola does this, and people are basically the same as in the U.S. We're taking the lead in China to push society to a more advanced market economy and best class of skilled workers and managers."

The next step, Webster says, is for CAMP to break into a larger system, and that's happening through Motorola's two-and-a-half year, post-CAMP MBA program with Arizona State University. "Every good program goes through cycles, and CAMP itself was a system. Now a larger system needs to be developed, and that is our leadership-supply system."

Whether or not that system produces the level of executive mandated by Motorola in China will certainly depend on just how much the company itself has learned from CAMP's success. ■

CALENDAR

OCTOBER

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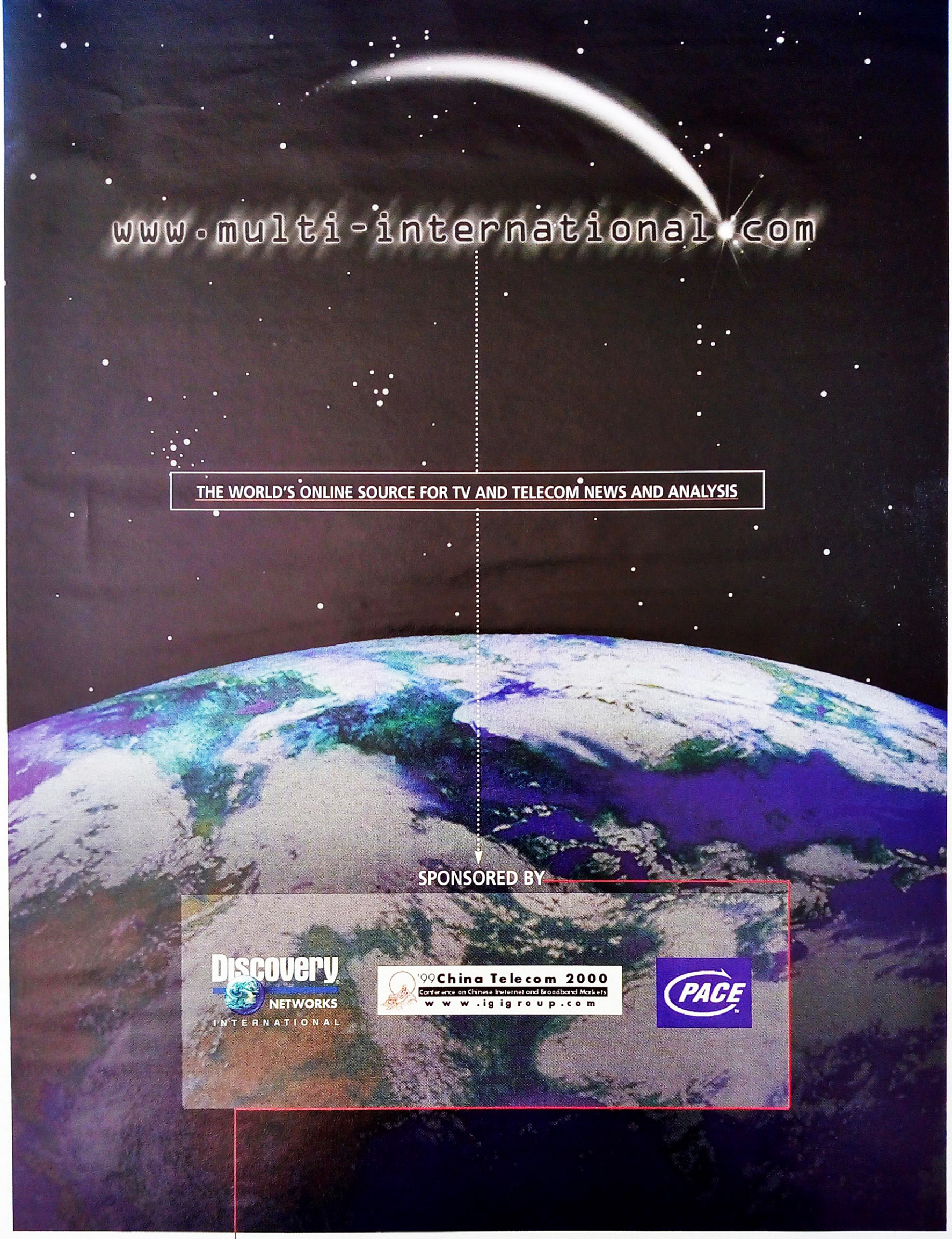

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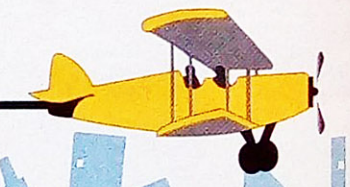

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BLIPS ON THE SCREEN

Romania,
Continued from Page 8

N.V. has spent $US8 million to purchase two cable systems, and it's looking at further acquisitions. Romanian firm Astral TV has bought two other operations for an undisclosed sum. Meanwhile, Nickelodeon is preparing for a countrywide launch, and sources say Fox Kids will expand its programming, which is currently televised between six and eight hours daily. Discovery Networks Europe is also exploring the possibility of launching three of its channels in Romania.

There's a telco factor to consider as well. Last November, the Romanian government sold 35 percent of state phone company Romtelecom to Hellenic Telecommunications Organization S.A. of Greece for $US685 million. The deal gives Hellenic a monopoly on telephony services through 2002, but liberalization of the telecommunications industry is expected the following year. That's one of the factors that motivated UPC to purchase the new systems. All told, UPC now has about 115,000 Romanian customers, and future buys could push that number as high as 270,000.

"Romania fits into our triple-play philosophy," says UPC Central Europe Group chairman Nimrod Kovacs, referring to the company's desire to provide cable television, Internet and telephony services. Kovacs says UPC will spend $US25 million over the next 12 months to improve and expand its Romanian operations. That's unlikely to dishearten others on the prowl for cable systems. Executives at competing firms say that UPC's shopping spree has pushed the price of a cable operator up from between $US60 and $US90 a subscriber to $US80 to $US120 a subscriber

Not everyone is in a shop-happy mode. Metromedia International Telecommunications Inc., which currently has about 80,000 subscribers, is kicking some tires, but says it's hard to make deals. "It's unclear if people want to sell or just see how much [systems] are worth," says Darach Reidy, regional director of Metromedia's operations in Romania and neighboring Moldova. Given the current economic conditions, "I'm not convinced there is any room for price growth."

"Romania fits into our triple-play philosophy" of cable TV, telephony and Internet services.

— Nimrod Kovacs, chairman, Central Europe Group, United Pan-Europe Communications N.V.

Local players are nervous with such deep-pocketed firms stalking the country. Radu Cristian, general manager of Astral TV, says his firm is exploring ways to finance both acquisitions and upgrades of its network. But he has also held discussions with UPC about possible joint ventures. "It is too early to talk about selling the company, but the market is becoming more competitive," says Cristian.

Programmers view all the deals among operators as a healthy sign. Last year, Nickelodeon launched a channel on Metromedia's two systems, but is preparing to expand it across the country later this year. "The cable business in Romania has just become more mature," says Bruce Tuchman, general manager of Nickelodeon Global Network Ventures. The continent-hopping executive is so interested in Romania that he made a point of attending Romania's fourth annual cable conference, held last month in the resort town of Sinaia.

Tuchman notes some operators may be prohibited from offering his channel because of limited capacity or a tiny budget, but he believes the time is ripe to make a push into Romania. "Maybe you need more quality TV in tougher economic times," he says. ■

Tepal,
Continued from Page 8

vertising, marketing and sales. Those are the major areas. Technology is an issue, but what's more to the point is how to grow your subscriber base and how to keep it loyal," says Garcia. While he has been involved with Tepal for years, he's now working as a full-time organizer. And to do that, Garcia gave up his former job as programming director at the Panamanian cabler Cable Onda, which was run by Fifer before her illness. Meanwhile, Jorge Schwartz, president of Ecuadorian cable company TV Cable, has replaced Fifer as president of Tepal.

Industry observers have applauded Tepal's efforts to find new ways of serving its membership. But the jury is still out on whether the organization is completely on track. They point to the Thanksgiving-week run-in along with repeated postponements of the show last year as clear danger signs.

Tepal's original *raison d'être* has also faded somewhat, explains one of its former presidents, Ahmad Khamsi. In the past, its purpose was to help facilitate the fight against piracy, rampant throughout Central America, by aiding the Motion Picture Association (MPA).

But now the MPA and other international bodies have a much firmer grip on those issues, and Tepal has to search for a new role. Today, the challenge is "attracting people with a different proposition," says Khamsi, who is also president of a top Venezuelan cable company, SuperCable.

His comment is echoed by Carlos Díaz, vice president of Latin American Pay TV Services and general manager of the company's panregional movie services.

"Tepal has had difficulty establishing an identity," he says. It is tough, he adds, given that the organization typically attracts delegates from a highly disparate range of smaller Latin American markets, each of which have very different business practices and regulatory environments. Díaz also notes that it is a testament to the "vision and determination" shown by Fifer that the event has been so successful in the past.

It appears that Tepal's challenge in the current climate is to achieve a similar sense of purpose in its mission. ■

Argentina,
Continued from Page 8

Needless to say, the large operators have not reacted warmly to the resurgence of these family-run concerns, which they disparagingly refer to as "renegades." They justify using such unsavory language because many of these newcomers are allegedly underreporting subscribers and operate at a loss in order to seduce subscribers.

For CableVisión CEO Emilio Rodiño, their huge discounts are tantamount to product dumping. Preferring not to name names, Rodiño estimates that some 10 percent of CableVisión's smaller competitors fit this profile. And he has nothing but contempt for them.

"They work at a loss in order to rob customers, with the expectation of huge capital gains down the road," Rodiño alleges. "So we've decided to stop doing business with these unfair competitors altogether," and will compete head-on with them. He explains that the strategy among some of the upstarts is not only to perpetrate price dumping, but to become such a thorn in the side of larger incumbents that the MSOs are forced to buy them out, a practice known as "green-mail." Rodiño is adamant that his company will never fall for such tactics, vowing, "If we have to fight the renegades, we will."

Programmers selling channels in Argentina, however, are anxious to point out that not all of the small, new independents should be tarred with the brush of criminality. They say that some are fully licensed, well-run operators that are even paying higher carriage fees at a time when the large cablers are using their market power to negotiate steep discounts. As one high-ranking executive of an international programming company puts it, "As long as these [newcomers] have a license and are playing by the rules, we'll do business with them."

There are a growing number of Mom-and-Pop operators returning to the market. And they're flush with bundles of cash they received to get out of the business in the first place.

Pizzolo firmly distances his company from shady business practices by pointing to his family's honorable track record in the industry. And yes, his system is licensed. He says the company's success is largely due to low operating costs — it has a workforce of just 22 — plus its focus on personalized customer service. "There's a very small margin for us to grow, so every subscriber counts," says Pizzolo. "We entered Bahia Blanca because we thought there existed a good opportunity to exploit an undeserved market, not because we were looking for an easy profit."

Another contributing factor enabling BVC to offer low prices is its lack of soccer coverage, something that Pizzolo says he hopes to correct in the near future. He denies however, that the absence from its lineup of sports programming from Torneos y Competencias, which has strong ties to both CableVisión and Multicanal, is a product of antagonism with its larger competitors. Instead, it has to do with a debate over a fair price. "We're not looking to start a conflict," he claims. "Our goal is to compete fairly and make a profit where there is one to be made." ■

Taking Stock

BY MIKE GALETTO

TECHNOLOGY

Certification Frustration

LOUISVILLE, COLO., is more than 1,800 miles from Manhattan, but some folks out west wielded their weight on Wall Street last month.

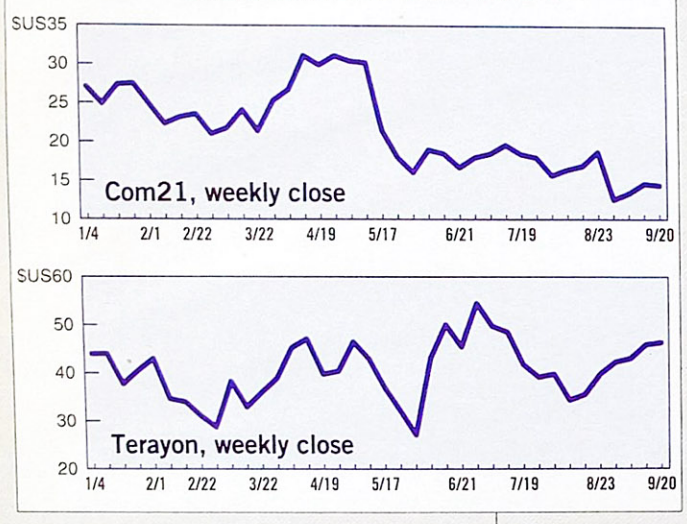
Shares of Com21 Inc. tumbled 31 percent on Sept. 2, to $US12.56, after its DOXport 1010 cable modem failed to receive Data Over Cable System Interoperability Specification (DOCSIS) 1.0 certification from Cable Television Laboratories Inc. (CableLabs), the Louisville-based research-and-development consortium of cable-TV operators. On the flip side, Terayon Communication Systems Inc. shares got a healthy boost after one of its modems received CableLabs' O.K.

"The market thinks that the [lack of certification] could be a lockout obstacle to vendors," says Joel Achramowicz, an analyst with Preferred Capital Markets Inc., in San Francisco. "[Com21's] fundamentals seem stable and the company continues to win business." It since signed a supply deal with Spanish operator Retecal.

By presstime on Sept. 20, Com21 shares recovered to $US14.375. Com21 declined to comment on the latest CableLabs "A-list." The certification means a manufacturer's modem adheres to standards enabling it to function across an array of cable systems. That's important because some of the strongest growth for cable modems is seen in the retail market.

The winner in the latest round of CableLabs testing was Terayon. Its TeraJet, which it developed with other companies, got the O.K. Terayon shares added 13.6 percent on the news to $US42.25. By presstime, they'd risen to $US47.4375.

CableLabs Lifts and Lowers



A Cappella in Canada

CONSOLIDATION HAS BEEN A MANTRA in the global cable and media industries over the last decade. Don't tell that to anybody up at Canada's Shaw Communications Inc., though.

Early last month, the company spun out its radio broadcasting, pay TV programming, music and advertising services into a separate, publicly traded unit, Corus Entertainment Inc. The move should enable Shaw to focus more specifically on its broadband-related properties that include systems serving 1.5 million homes, direct-to-home platform Star Choice, and stakes in high-speed Internet platform At Home Corp. and cable-modem maker Terayon Communication Systems Inc.

SPINOFFS

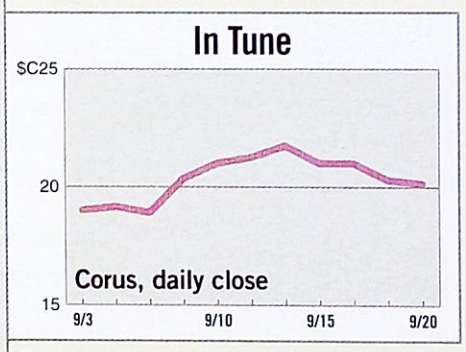
At the same time, "it makes it easier for investors to give greater value to the individual parts," says Lou Kerner, who follows Shaw for Goldman Sachs & Co.

Corus CFO Tom Peddie points out that the spinoff will provide more focused management on each side, give Corus an additional capital base and free Shaw from regulatory scrutiny regarding systems/programming cross-holdings.

As a "pure play" focusing on radio, channels and advertising, Corus bears some resemblance to U.S. broadcasting-focused companies such as AMFM Inc. or CBS Corp., both strong performers.

Corus shares have also attracted investors' eyes. Since their debut on the Toronto Stock Exchange on Sept. 3, they've risen 6.6 percent to $C20.25. The company itself looks to be a consolidator. On Sept. 9, Corus agreed to buy 17 radio stations and four broadcast-TV stations from Power Broadcasting Inc. for $C107.5 million ($US72.5 million) That'll boost Corus' portfolio to 31 radio stations, four broadcast-TV stations and six pay TV channels.

In Tune



The company will "continue to look" at additional radio buys, says Peddie, noting "there is a consolidation similar to the consolidation in the U.S." radio industry that began a few years ago. Corus is evaluating what it will do with the broadcast-TV properties it picked up last month. Expansion in pay TV programming will have to wait until digital rollouts open up more capacity, he says.

THE PAY TV PAYOUT

Company	Ticker	Exchange	Close 8/20/99	Close 9/17/99	Percent Change	52-Week High	52-Week Low
AsiaSat	SAT	NYSE	$22.94	$27.81	21.25	$27.81	$11.12
At Home	ATHM	Nasdaq	$37.69	$38.44	1.99	$99.00	$17.25
AT&T	T	NYSE	$46.88	$45.63	-2.67	$64.12	$37.50
British Telecom	BTY	NYSE	$151.38	$156.00	3.06	$184.62	$114.00
BSkyB	BSY	NYSE	$55.50	$58.00	4.50	$59.25	$40.62
Broadcom	BRCM	Nasdaq	$122.88	$112.25	-8.65	$149.50	$29.00
Cablevision Syst.	CVC	AMEX	$72.63	$74.94	3.18	$91.87	$35.75
Cable & Wireless	CWZ	NYSE	$52.38	$51.63	-1.43	$67.00	$29.25
C&W HKT	0008	Hong Kong	$2.44	$2.44	-0.16	NA	NA
Canal Plus	CNLP	Paris	$43.22	$69.88	61.71	NA	NA
Deutsche Telekom	DT	NYSE	$41.38	$41.19	-0.45	$47.62	$25.75
Flextech	FLXT	London	$13.71	$14.65	6.85	NA	NA
General Instrument	GIC	NYSE	$47.00	$48.38	2.93	$54.43	$17.50

Company	Ticker	Exchange	Close 8/20/99	Close 9/17/99	Percent Change	52-Week High	52-Week Low
Globo Cabo	GLCBY	Nasdaq	$5.38	$5.38	0.00	$7.50	$1.00
Grupo Televisa	TV	NYSE	$38.63	$35.50	-8.09	$50.12	$15.62
MIH	MIHL	Nasdaq	$39.50	$29.25	-25.95	NA	NA
News Corp.	NWS	NYSE	$31.88	$30.00	-5.88	$37.62	$20.18
NTL	NTLI	Nasdaq	$98.69	$101.00	2.34	$107.37	$32.00
PanAmSat	SPOT	Nasdaq	$36.69	$38.50	4.94	$45.43	$26.37
Rogers Comm.	RG	NYSE	$17.06	$17.00	-0.37	$23.93	$5.31
Scientific-Atlanta	SFA	NYSE	$46.56	$56.50	21.34	$58.81	$11.75
Shaw Comm.	SJR	NYSE	$36.50	$28.69	-21.40	$46.50	$15.00
Telefónica	TEF	NYSE	$47.00	$47.25	0.53	$54.93	$33.25
Telewest	TWSTY	Nasdaq	$40.00	$39.13	-2.19	$52.81	$17.50
UPC	UPCOY	Nasdaq	$56.75	$63.44	11.78	$71.00	$31.12
UnitedGlobalCom	UCOMA	Nasdaq	$71.31	$80.31	12.62	$92.00	$7.75

Source: CNET Investor

ONE ON ONE

Liberty's New Colors

JANET STILSON SPEAKS WITH MIRANDA CURTIS

There once lived a company called Tele-Communications International Inc., often known as TINTA, which was among the most shop-happy investors to be found on the global TV scene. But like Picasso, as TINTA matured, it changed its colors somewhat from time to time. There came a period of knuckling down for better bottom-line results, then one of putting a greater emphasis on programming, then another of backing away from that somewhat.

And then a funny thing happened on the way to a new forum. In the wake of AT&T Corp.'s purchase of TINTA's parent company, Tele-Communications Inc., the international assets were absorbed into a Liberty Media subsidiary dubbed Liberty Media International Inc.

The unit's holdings are still mammoth. Our chart attached to page 13 gives an indication of its programming assets, such as Multithématiques and Flextech plc in Europe, and Pramer S.A. in Argentina. There are also a host of systems, including Britain's Telewest Communications plc and Japan's Jupiter Telecommunications Co. Ltd. Despite that, there seems to be yet another new world order at the company, which manifested itself last month when Liberty and Microsoft Corp. bought into a mammoth, globally minded pay TV company, UnitedGlobalCom. And if rumors become reality, UnitedGlobalCom's European unit, United Pan-Europe Communications N.V. (UPC), may buy into Telewest, strengthening its coffers for a possible bid to absorb another British operator, NTL Inc.

If anyone is in a position to know Liberty's portfolio philosophy today, it's Miranda Curtis, Liberty Media International's president. The following is an edited transcript of a conversation that took place shortly after the UnitedGlobalCom deal was announced.

STILSON: With all due respect, it seems to me that buying into UnitedGlobalCom is sort of like buying a cake mix, if you look at it on a simple level. UnitedGlobalCom has so many international properties that are up and running and don't require a new investor to take a managerial role. It seems quite different than the steady, property-by-property accumulation that we've seen at your company in the past.

CURTIS: I think I'd phrase it somewhat differently. I think what you're beginning to see us take internationally reflects very much the approach that Liberty is taking in terms of its investment strategy in the U.S. We see opportunities to make where we may be influential, but we don't need to be in a control position.

It is true that in the last five years we've moved from feeling the need to be involved in day-to-day management.

As you know, the new Liberty was only created back in March. I'm sure you've heard comments by [Liberty chairman John Malone and president and CEO Robert "Dob" Bennett] about how they intend to run Liberty with a very small head count. There are still only 33 people in the entire company, and five of us are in international — for a company with a market cap of $US45 billion.

STILSON: Do you see an opportunity to merge Liberty Media International's assets with UnitedGlobalCom's at some point?

CURTIS: I'm not sure that that's on the agenda, in the sense that I'm not sure there's any particular need to do that. We have investments also through News Corp. and Time Warner; they also have a significant portfolio of international assets. I'm not sure we need to merge those assets in order to secure shareholder value.

STILSON: There's been so much speculation about further consolidation of the U.K. cable business. How would you characterize Liberty's commitment to Telewest?

CURTIS: It's interesting. We're now the only shareholder that's been with Telewest from day one, through several iterations and shareholder structures. We're very pleased to have Microsoft come on board [and buy out the interest of MediaOne]. That gives us a partnership that we feel very comfortable with, in a market [where cable] has taken a long time to turn the corner.

STILSON: So are you in Telewest for the long haul?

CURTIS: Oh sure. I don't see why not. I think the question is whether there are opportunities for Telewest to continue to look at — either across cable or with content players.

STILSON: With AT&T's acquisition of MediaOne, there's a mandate to sell off MediaOne's international interests. Right now, MediaOne has a stake in a large Japanese operator, Titus Communications Corp., and you have a stake in another, Jupiter. Do you have any interest in buying into Titus?

CURTIS: We're certainly looking at it. One option is to look at Titus, but another option is to talk to some of the smaller operators and put them under our umbrella.

But what you raise is quite significant — our opportunity to raise our position in the Japanese market. I still think it's our great sleeper. We'll have north of half a million subscribers by the end of this year. We're generating comfortable levels of revenue compared to the U.K., at 20 percent of the capital cost. Churn is well under half the levels we're seeing in the U.K. There's tremendous upside to the Japanese market. We think that's the one where we have tremendous future value to develop.

MIRANDA CURTIS

TITLE:
President, Liberty Media International Inc.

BACKGROUND:
Worked in the British cable industry for several years at companies that eventually became the MSO Telewest Communications plc and the network group Flextech plc. Joined Tele-Communications International Inc. in 1992 and attained her current position in February 1999. Also sits on the board of six companies in which Liberty has invested.

STATISTICS:
43 years old, single, based in London.

STILSON: What's the future for you, in terms of program channels in Japan?

CURTIS: We already have six channels up and running on all platforms [for cable and direct-to-home], and we have plans to extend that, too. That's a business that's also performing very well.

STILSON: What kinds of channels are you looking to launch in Japan?

CURTIS: We're looking at building additional premium services, because the markets for premium movies and premium sports have not been secured by a single dominant player yet. And we'll continue to build on the basic thematic-channel opportunities [both creating new channels and acquiring smaller networks]. And we think there's tremendous upside with pay per view, VOD [video-on-demand] and near-VOD. Those opportunities have barely been touched in the Japanese market.

STILSON: What about new channels in the U.K., where Liberty has a stake in Flextech?

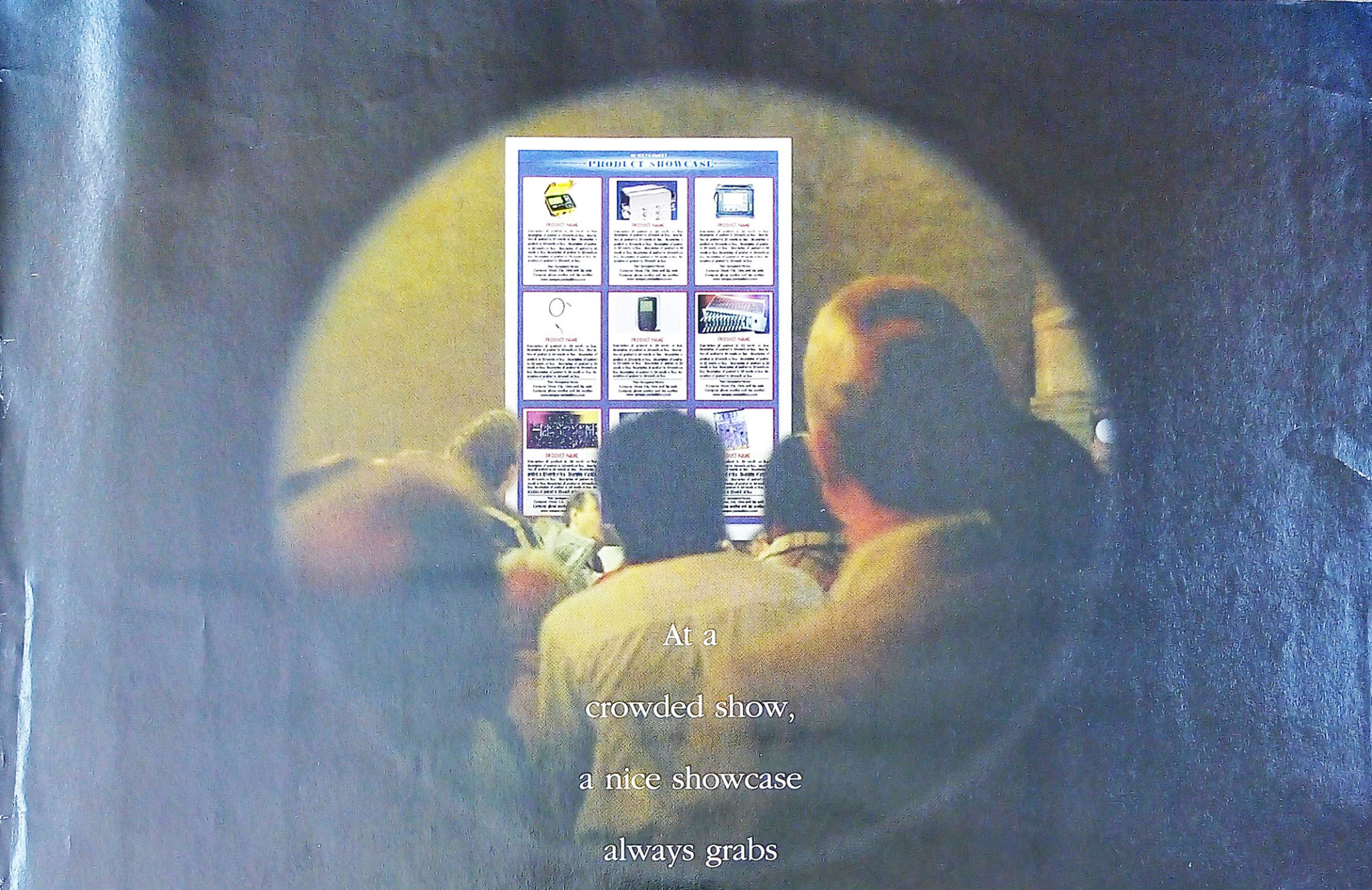
CURTIS: We don't think there's tremendous upside in launching many more basic thematic channels. I think we'll be looking at partnerships with existing broadcasters along the lines of our arrangement with the BBC, and very much building interactive-TV and Internet applications around brands that we've already created. That's something that can be done in partnership with Telewest.

STILSON: Does that also hold true in France?

CURTIS: Yes, I think we'd like to see a couple of new brands in the Multithématiques structure, which we can then clone across the various platforms in the [wider] European market. I think there's opportunity with transactional-type channels, again building Internet and interactivity.

STILSON: You and I talked recently about the reports we were getting that Liberty was selling off its interests in Latin America, and you said that wasn't the case. But are you in that region for the long haul?

CURTIS: If the right offer came along, we'd always look at it. I think it's very well known there've been some issues relating to the partnership for [the Argentine operator] CableVisión, and there have been discussions on who might be in it for the long term and who might wish to exit. Those discussions have not been resolved. But in the meantime, we also have interest in [the network group] Pramer, and we have a 10 percent interest in Sky Latin America, and we have every intention of staying with them. ■



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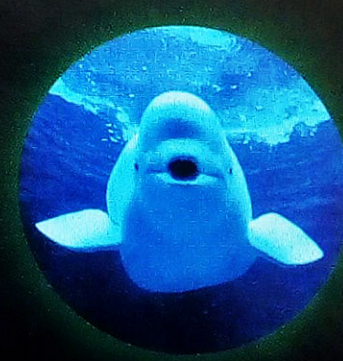

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